APP

USE OUR PAPER, WE PLANT MORE TREES.

SUSTAINABILITY
REPORT

2015

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External frameworks

The content and quality of this report is guided by the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines (version 4). The report had been externally assured to the internationally recognised AA1000(AS) and meets the requirements of GRI G4 Core Level. Our intention is to continue to seek external assurance for future sustainability reports and respond as appropriate to any areas of improvement identified in the assurance statements.

The assurance statement covering this report is presented on page 72.
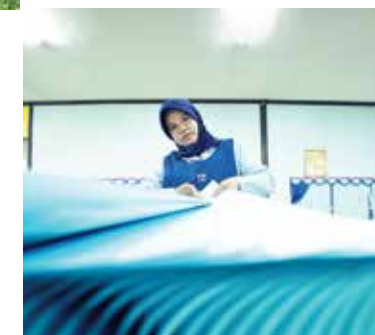
SUSTAINABILITY REPORT

CONTENT

CHAIRMAN'S

STATEMENT

SECTION

In 2015, we made important progress on the delivery of the Sustainability Roadmap – Vision 2020, and in the Forest Conservation Policy (FCP) to advance the multi-stakeholder approach to finding solutions that work for the environment, for communities and for our business.   This year we delivered substantial progress in three areas: the introduction of the Integrated Forest and Farming System Programme (IFFS), advancement in best practice peatland management program, and completion of the Integrated Sustainable Forest Management Plans (ISFMPs), which consolidated the various assessments we have undertaken under the FCP commitment.

We remain committed to supporting the Government of Indonesia's efforts to reduce greenhouse gas emissions. Specifically, we have continued to work with partners to develop and refine the Best Practice Peatland Management Plan (PBPMP), and have commissioned the mapping of peatland in Sumatra and Kalimantan using LiDAR (Light Detection and Ranging) technology, which has resulted in the

mapping of approximately 4.5 million hectares of peatland. We hope this will work as a long term effective measure to protect peatland and prevent forest fires.

A key component of the FCP is to ensure that the people who live and work in the forest landscapes where we work are engaged. As mentioned above, we have been working with communities on integrated forest management, but also worked to make advances in a number of other areas. One area includes improving the way that we and our suppliers manage conflicts, but also the speed and efficacy with which conflicts are resolved.

Launched at COP21, the IFFS plays an important role in ensuring progress in how we work with local communities. The programme ultimately aims at capacity building to improve community welfare and reduce dependency on forests. The programme is planned to benefit 500 villages over the next five years, with the target for 2016 is to roll out the programme in 80 villages.

The overarching principle behind our management and conservation efforts is the multi-stakeholder approach. In basic terms it is the principle that conservation efforts cannot be limited to administrative boundaries, and will only succeed if the sustainability of the whole landscape is taken into account, with stakeholders within that landscape working together towards a united goal.

The initial step of the implementation of our landscape approach is the ISFMP, which APP and our pulpwood suppliers have been developing together with other stakeholders in each of the areas where APP supply chain is operating.

The development of the plans has been an iterative process, which we began back in 2014 without a clear blueprint or example to follow, but a desire to put together the best expertise with the perspectives of those living and working in the landscapes. We started with the recruitment of experts in peatland management, in order to combine their inputs with already existing information we had on high conservation value (HCV) and high carbon stock (HCS) areas. We then established multi-stakeholder working groups in each landscape in order to review the information from experts and combine that information with current land claims, plantation productivity, and proximity to currently used areas. All of this information was then combined and discussed in order to develop new zoning for each landscape. We started this process in early 2014 and we expect that all regions will have completed the dissemination of their new land zoning by mid-2016. This illustrates to us just how important stakeholder engagement is – but also how key patience and building of trust is to the process.

On a global level, COP21 in Paris was the stand-out global platform to consolidate APP's position as a leader of the private sector fighting deforestation, both in the FCP implementation and our contribution to climate change mitigation. At COP21, one year after we signed the UN Declaration on Forests, APP became the first and only private sector company to have had its commitment to support the restoration and protection of deforested and degraded land in Indonesia accepted into the Bonn Challenge; a global movement launched in 2011 to restore 150 million hectares of degraded and deforested land by 2020.

Also at COP21, APP was announced as the Chair of the Private Sector Roundtable in support of the Asia Pacific Rainforest Recovery Plan, an initiative initially led by the

Government of Australia. The roundtable is comprised of high-level participation by businesses. The aim is to encourage of new mechanisms to facilitate public-private engagement on rainforest protection.

On an operational level, we continue our commitment to improve the performance of our pulp and paper mills by revising management arrangements to manage and monitor the environmental and social performance of our mills. To ensure the delivery of our Vision 2020 roadmap commitments we have revised Key Performance Indicators and created clear management responsibility for delivering on mill targets. In 2015 Indah Kiat Serang and Pindo Deli Perawang achieved ISO 50001 certification in recognition of their energy management system. Three other APP mills were previously certified for ISO 50001; Indah Kiat Tangerang, Lontar Papyrus and Pindo Deli Karawang. Similar energy audits are now being carried out in all of our other mills. The results of these audits will help us to identify energy reduction opportunities and direct future investments. In 2015 Indah Kiat Perawang and Pindo Deli Perawang also achieved the New Zealand Ecolabelling Trust, which is a significant achievement that allows us to further progress in an important market for us.

Finally, I am grateful to all our partners and their continued support of APP on its ambitious journey. From community representatives, governments, customers, national and international NGOs, academics, technical forestry and social support from international experts – we could not have achieved the progress we are making without their close cooperation.

Protecting Indonesia's forests cannot be done alone. APP's efforts will ultimately only be successful with the support and action from other stakeholders. Partnerships will continue to play an important role in reducing global GHG emission, through conservation of forests and responsible management of land.

Teguh Ganda Wijaya

Chairman

Statement from the Managing

Director of Sustainability

& Stakeholder Engagement

In 2015, global events impacted on our business more than ever before. From the forest fires to COP21, we worked tirelessly to achieve the best possible outcomes. It was encouraging to see that the work APP has put in since we announced our Forest Conservation Policy (FCP) back in 2013 has placed us in a position to positively influence sustainability on a global level. As so many of these issues are interlinked, we must remember to be constantly aware of how we can build consensus and momentum in what we are trying to achieve.

The impacts of the forest fires in the latter part of 2015 were far reaching, impacting air quality and destroying forest areas. On this occasion, the scale of the fires was unexpected and beyond what could be possibly prepared.

To tackle the problem, we designed a comprehensive Integrated Fire Management Strategy, provided an aircraft equipped with water tanks and hired professional fire fighters to provide expertise and additional resources on the ground. However, for a long lasting impact we must address the root causes of forest fires. This is a complex task that involves a multi-stakeholder approach across Indonesia. Through our FCP we have been maintaining High Conservation Value (HCV), High Carbon Stock (HCS) forests, understanding the hydrology of peat forests, implementing Free Prior & Informed Consent (FPIC) and social conflict resolution to mitigating the risk of fires. Looking to the future, we will go one step further and implement the Integrated Fire Management strategy as an integral part of our FCP.

In February 2015 the Rainforest Alliance released a report on APP's progress towards the goals set out in our FCP. The report recognised our genuine commitment to the FCP but also challenges we face to meet our commitments. The findings helped us to sharpen our approach and focus efforts where they are needed most to increase the pace of progress, culminating in a revised 'FCP 2015 and beyond'.

Our Integrated Forestry & Farming System launched during COP21 implements programmes such as agroforestry is a particular highlight and aims to reduce unsustainable practices such as illegal logging and using fire as a land clearance method, working with local NGOs and pulpwood suppliers to provide alternative livelihood in 500 villages. This is tightly linked to the forest fire issues – we target the communities where the risk of land clearance and fires are the highest. This is a great example of integrated thinking and bringing together initiatives we already know work; rearing initiatives for livestock; sustainable fruit and vegetable farming techniques; and forestry and business skills, maximising the impact we can make.

Recognising worldwide pledges to protect forestry and channel funds to support this goal, APP also established a new independent organisation, the Belantara Foundation, which was also launched at COP21 in Paris. This new funding mechanism will channel both public and private sector finance direct to local communities and other actors implementing forest conservation projects.

2015 saw APP and its supplier's decision to retire areas of commercial plantation in order to protect critical peatland. The decision demonstrated our willingness to make tough decisions – this time to remove areas of forestry from commercial use - so as to meet our sustainability commitments.

I was deeply saddened by the death of a community member in Jambi, following an altercation with a third party security contractor working for one of APP's pulpwood suppliers, Wira Karya Sakti (WKS). WKS ceased its contract with the security contractor and responded to the recommendations made by the Human Rights Commission. Following independent advice from NGOs and third party security experts we have also developed and implemented improvements to our security arrangements across the organisation.

Our Vision 2020 goals set clear and ambitious targets for our pulp and paper mills, most notably in energy, carbon emissions, water and waste intensity reductions as well as employee welfare. We have a long way to go to meet these targets but the investments and managerial changes we are making will start to demonstrate their impact. We have recently established the Environmental Committee that seeks to support all mills in delivering upon these targets while revised Key Performance Indicator (KPI) accountability has been introduced to clarify accountability throughout the organisation.

Looking forward to 2016, we are focused on aligning the various recommendations within each ISFMP plan and work together with local stakeholders to use them to achieve the FCP goals. It is encouraging to see the development of these plans evolve as our team and stakeholders also build their understanding and knowledge of the needs of each landscape.

As we bring together the results of extensive assessments and provide multiple forums for stakeholders' discussion, we are bringing difficult issues out into the open. This is exactly what is needed and presents us with an opportunity to work with our stakeholders to understand and respond to their views. Transparency and stakeholder dialogue have been two of our biggest achievements in 2015, and we hope now have the platform to reach consensus. The challenge going forward is to manage these relationships, understand and respond to the complex priorities of multiple stakeholders, whilst still working to achieve our goals.

Aida Greenbury

Managing Director of Sustainability &
Stakeholder Engagement at APP

COMPANY

PROFILE

SECTION

ABOUT ASIA PULP & PAPER GROUP

As one of the world's largest pulp and paper companies, Asia Pulp and Paper Group (APP) is responsible for delivering quality products to meet the growing global demand for paper, tissue, and packaging. On any given day, our products find their way into the hands of consumers in various branded forms from all over the world.
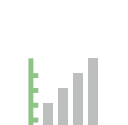
Beginning in 1972 with Tjiwi Kimia producing caustic soda, today we run operations across Indonesia and China with an annual combined pulp, paper, packaging product and converting capacity of over 19 million tonnes per annum. APP markets its products in more than 120 countries across six continents.

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

2015 AT A GLANCE – APP INDONESIA

	2015	2014	2013
Employees	37,951	38,380	40,072
Production volume (tonnes)	9,453,000	9,081,750	8,858,828
Revenue	$5,807m	$5,726m[1]	$5,565m

FINANCIAL PERFORMANCE (IN 000 USD)

Operating costs [2]
4,390,695

Community investments
3,347

Payments to providers of capital
233,398

Employee compensation
272,922

Retained earnings
1,052,099

Payments to governments
9,151

[1] The calculation for 2014 was revised to include Univenus Perawang
[2] Operating cost calculated as Cost of Goods Sold (COGS).

OUR PRODUCTS

From a humble beginning, APP has emerged into an industry leader with an integrated pulp, paper and packaging grade capacity in Indonesia of more than 10 million tonnes per year. As APP expands, the company has taken steps to reinforce and build on its regional market position through the introduction of higher quality products and enhancements, investments in new technology as well as improving our processes and productivity.

Today, APP's products include bleached hardwood pulp and a full range of paper, tissue, packaging, and stationery products. From commodity-grade base paper, tissue and industrial paper to value-added writing and printing paper, we have a diverse product catalogue to meet the needs of our global customer base. Our products are based on renewable and recyclable fibre, bringing sustainability benefits when compared to alternative competing products based on other non-renewable materials. Through design and innovation we offer products that support our customers' sustainability goals, through lighter weight packaging or providing strength and printing qualities at lower product weights for example.

More details about our products and brands can be found on our website.

Customer satisfaction is measured every year through a global survey conducted by APP's corporate sales and marketing division. With sales offices spread across the world, the survey is a vital tool in understanding the different perceptions of APP's products and service, enabling us to respond and continuously improve. The quality of our sales team, packaging and availability of high quantity suppliers were areas of positive performance in 2015. Our customers also regard us a long term partner, according to the survey results. Areas we need to improve related to claim handling and product promotional support.

AWARDS IN 2015

Mill/Company	Award	Organisation
Indah Kiat	Corporate Image Award: Indonesia's Most Admired Company (IMAC) in Paper Category	Frontier Consulting Group & Tempo Magazine
	Primaniyarta Award: Outstanding Performance	Ministry of Trade
Indah Kiat Tangerang	Green Industry Award: level 5 (highest)	Ministry of Industry
	National Energy Efficiency Award (PEEN) for industry sector	Ministry of Energy and Mineral Resources
Indah Kiat Serang	Gelar Pemberdayaan Masyarakat Berbasis Budaya – CSR Best Practices for MDGs Towards SDGs	Coordinating Ministry of Human Development and Culture
Lontar Papyrus	Green Industry Award: level 5 (highest)	Ministry of Industry
	Best Reporter on Foreign Exchange Transactions	Bank Indonesia
Pindo Deli Karawang	Green Industry Award: level 5 (highest)	Ministry of Industry
Pindo Deli Perawang	Green Industry Award: level 4	Ministry of Industry
Tjiwi Kimia	Corporate Image Award - Indonesia's Most Admired Company (IMAC) in Paper Category	Frontier Consulting Group & Tempo Magazine
	Gelar Pemberdayaan Masyarakat Berbasis Budaya – CSR Best Practices for MDGs Towards SDGs	Coordinating Ministry of Human Development and Culture
Ekamas Fortuna	Green Industry Award: level 5 (highest)	Ministry of Industry
APP Indonesia	Global CSR Award (Silver)	The Pinnacle Group International
	Sustainability Reporting Award: Best Disclosure on Sustainability Management	National Center for Sustainability Reporting

PRODUCT CERTIFICATION

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

CERTIFICATION	MILLS								
	Indah Kiat Perawang	Indah Kiat Serang	Indah Kiat Tangerang	Pindo Deli Karawang	Pindo Deli Perawang	Lontar Papyrus	Tjiwi Kimia	Ekamas Fortuna	Univenus Perawang
Quality	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001
Product Quality	ISO 9706		ISO 9706	ISO 9706			ISO 9706		
	Halal	Halal	Halal	Halal	Halal	Halal	Halal		Halal
				Environmental Choice-New Zealand Ecolabel	Environmental Choice-New Zealand Ecolabel		Green Seal		
	PREPS 5*			Ecolabel – EU Standard					
	Ecolabel – Indonesian Standard			Ecolabel – Indonesian Standard			Ecolabel – Indonesian Standard		
				Green Mark – Taiwan Ecolabel Standard					
	SNI 7274:2008			SNI 7274:2008					SNI Tissue
Environment	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	
	PROPER (special audit required)[3]		PROPER (blue)	PROPER (PD1 blue, PD2 green)		PROPER (blue)		PROPER (blue)	
		ISO 50001	ISO 50001	ISO 50001		ISO 50001			
Health & Safety	SMK3	SMK3	SMK3	SMK3	SMK3	SMK3	SMK3	SMK3	
	OHSAS 18001	OHSAS 18001	OHSAS 18001	OHSAS 18001	OHSAS 18001	OHSAS 18001			
Chain of Custody	PEFC	PEFC	PEFC	PEFC	PEFC	PEFC	PEFC		PEFC
	LEI			LEI	LEI	LEI	LEI		
	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK
Product Specific	RoHS	RoHS	RoHS	RoHS			RoHS		
	REACH/SVHC Screening	REACH	SVHC Screening	SVHC Screening	SVHC Screening				
		Food Packaging Direct Contact – FDA USA		Food Grade Paper/Board – FDA USA & Germany Recommendation XXXVI	Food Contact Safety Grade for Paper & Paperboard – FDA USA & Germany Recommendation XXXVI			Food Grade Paper/Board – FDA USA & Germany Recommendation XXXVI	
	ASTM and EN71 Part 3&9	ASTM and EN71 Part 1, 2, 3, 9	EN71 Part 3	Robinson Test					
		ISO 22000		ISO 22000					
	ISPM (Phytosanitary)	ISPM (Phytosanitary)	ISPM (Phytosanitary)	ISPM (Phytosanitary)	ISPM (Phytosanitary)		ISPM (Phytosanitary)		
Others	Authorized Economic Operator	Authorized Economic Operator		ISO 17025					

3 Indah Kiat Perawang Mill downgraded from 'blue' rating in 2015 due to several housekeeping issues related to waste management. The findings were immediately addressed and another audit carried out by the Regional Environment Agency. In April 2016, the mill passed the audit satisfactorily. The Regional Environment Agency officially declared that Indah Kiat Perawang mill has taken necessary actions to close all previous findings.

OUR MILLS

Pindo Deli Perawang

Employees	: 2,158
Production capacity	: 1,100,000 tonnes tissue/year
Production lines	: 22 tissue machines and 25 tissue converting machines
Key products	: tissue and converted tissue products

Located in Riau Province, Pindo Deli Perawang focuses on the production of jumbo rolls to the tissue converting market. In 2015 the mill was awarded certification against the New Zealand Ecolabelling Trust, a significant achievement in an important market region. Not only because of its rigorous requirements to ensure the product minimum environmental impact, but also because the scheme is a part of Global Ecolabelling Network (GEN), which means that the acknowledgement as less harmful product is recognized in other markets outside New Zealand.

Indah Kiat Serang

Employees	: 5,353
Production capacity	: 1,405,420 tonnes paper/year
	661,500 tonnes converted products/year
Production lines	: 6 paper machines
Key products	: coated boxboards, test linerboards, corrugating medium, corrugated cartons

Indah Kiat Serang is one of the biggest paper packaging companies located in Serang, Banten Province, Indonesia. The 550 hectare facility is strategically located in close proximity to a port and is unique amongst APP's mills, sourcing the majority of its raw material from post-consumer waste, which is supplemented by virgin fibre to improve the strength of the paper products. Achieving ISO 50001 certification in 2015, the mill focussed energy reductions on one paper machine, reducing energy use by 5% through 40 individual improvement projects.

Indah Kiat Tangerang

Employees	: 1,195
Production capacity	: 106,000 tonnes paper/year
Production lines	: 3 paper machines
Key products	: coloured printing, writing and copier, computer and duplicator paper

Indah Kiat Tangerang specialises in the production of coloured paper grades and is now one of the world's largest in this product segment. Its raw material sourcing includes both pre-consumer waste and purchased pulp and it exports 85% of its products to a global client base. In 2015 the mill achieved the "Green Industry" level 5 award from the Ministry of Industry for the fifth year in succession and in recognition for its environmental performance.

Lontar Papyrus

Employees	: 2,204
Production capacity	: 2,260,000 tonnes pulp/year
	1,000,000 tonnes tissue/year
Production lines	: 2 pulp lines, 6 tissue machines
Key products	: LBKP (pulp) and tissue

One of the world's largest vertically integrated pulp and tissue mills, Lontar Papyrus exports its products around the world, from China to Taiwan, South Korea, Japan, Southeast Asia, extending to the Middle East, Africa, and Europe. The mill was established in 1992, starting production of pulp in 1994 and tissue in 1998. As an integrated mill, Lontar Papyrus is able to use waste products from the pulping process as an energy source, providing 65% of the mills requirements in 2015. To coincide with efforts to reduce water consumption, four lagoons have been built around the mill to stabilise incoming water for the site. A more consistent quality improves water use efficiency across the mill and water availability during the dry season.

Pindo Deli Karawang

Employees	: 5,815
Production capacity	: 2,290,000 tonnes paper/year
	157,000 tonnes converted products/year
	1,188,500 tonnes tissue/year
Production lines	: 10 paper machines, 2 tissue machines, 1 chipboard machine
Key Products	: writing, printing, copier, pre-print and other premium wood-free papers, cast-coated paper, paperboards, carbon- less, thermal and art paper and tissue.

Comprised of two mills, Pindo Deli Karawang produces paper from purchased pulp. Products produced include paper, tissue and packaging products largely for export. The mills holds the energy management standard ISO 50001 and focussed on energy efficiency in 2015 through the installation of monitoring equipment to improve process data quality and identify effective operational improvements.

Indah Kiat Perawang

Employees	: 9,186
Production capacity	: 2,830,000 tonnes pulp/year
	2,245,000 tonnes paper/year
	332,000 tonnes converted products/year
Production lines	: 4 pulp lines, 9 paper machines.
Key products	: LBKP (pulp), wood free printing, writing, copier papers.

Indah Kiat Pulp & Paper Perawang Mill is strategically located in Perawang, on the island of Sumatra. With the Siak River as a major transportation link, the mill also benefits from local plantations for raw materials. A focus on waste and air emissions in 2015 saw investment in new equipment to reduce particulate emissions and recover more fibre from waste water. The mill uses biofuel for 60% of its energy needs.

Univenus Perawang

Employees	: 47
Production capacity	: 52,500 tonnes tissue/year
Production line	: 1 tissue machine
Key product	: tissue

Univenus Perawang is a small tissue mill, returned to full operation in 2014 after suffering from a fire in 2013. It is located adjacent to Indah Kiat Perawang and Pindo Deli Perawang. Improving water process equipment in 2015 helped to reduced energy demand by 40% across the site.

Tjiwi Kimia

Employees	: 11,123
Production capacity	: 832,712 tonnes paper/year
	201,053 converted products/year
Production lines	: 13 paper machines
Key products	: printing, writing, copier, carbon-less, exercise books, writing pads, envelopes, computer forms, gift wrapping paper and shopping bags.

Tjiwi Kimia is located in Sidoarjo, near Surabaya in East Java. The mill which started as a caustic soda plant, now boasts many state-of-the-art paper and converting machines making it one of the world's largest stationery manufacturers. The mill commenced production in 1978 with an annual paper production capacity of 12,000 tons. Today the mill produces over 1,000,000 tons of value-added products such as coated art, cast coated, specialty paper, carbonless paper and huge range of school and office stationery. Exercise books, pads, spirals, hardback books, drawing books, shopping bags, stationery, envelopes, continuous forms, file folders and others make up the range of converted stationery products. In 2015, the mill completed its mill-wide Water Footprint Assessment and is developing a work plan on reducing its water intensity and fibre loss based on the result.

Ekamas Fortuna

Employees	: 1,078
Production capacity	: 323,000 tonnes converted products/year
Production lines	: 2 paper machines
Key products	: corrugated medium, wrapping papers, chipboard, core board Kraft liner, paper core, paper tube, paper sheet and heavy board

Ekamas Fortuna is situated in East Java, producing base and converted paper that utilises post-consumer waste as a raw material. Products are largely sold to the Indonesian domestic market, with 10% exported to more than 10 countries worldwide. In 2015 the mill implemented a safety improvement programme in preparation for OHSAS 18001 certification and continued to focus community projects around water infrastructure improvements.

APP MILLS

SUMATRA

JAVA

Pindo Deli Perawang

Indah Kiat Perawang

Lontar Papyrus

Univenus Perawang

Pindo Deli Karawang

Headquarter, Jakarta

Tjiwi Kimia

Indah Kiat Serang

Indah Kiat Tangerang

Ekamas Fortuna

SUSTAINABILITY
MANAGEMENT

3

SECTION

Announced in June 2012, APP's Sustainability Roadmap Vision 2020 is the central component of our sustainability strategy. It sets out our key focus areas, relevant with global best practice of key sustainability aspects and in response to what our stakeholders expect, alongside goals to measure our progress towards 2020. One year into the implementation of Vision 2020 we recognised the need to increase the pace of change with respect to the management of our pulpwood suppliers in order to meet our zero deforestation commitments. We established a detailed Forest Conservation Policy, or FCP to address this need, which you can read about in more detail on page 37.

SUSTAINABILITY
ROADMAP VISION 2020

APP
USE OUR PAPER, WE PLANT MORE TREES.

EMISSIONS · SOLID WASTE · REFORESTATION · CONSERVATION & BIODIVERSITY · HUMAN RIGHTS & INDIGENOUS PEOPLE · COMMUNITY EMPOWERMENT · EMPLOYEE WELFARE · FIBRE SOURCING · WATER MANAGEMENT · CLIMATE CHANGE

Vision 2020 element	Forest Conservation Policy	Target	Status	Progress in 2015
Fibre Sourcing	✓	100% independent 3rd party verification for pulpwood legality	Achieved	Accelerated progress and achieved by end 2012
		100% sustainable plantation wood for pulp by 2015	Achieved	All conversion of natural forest was halted in 2013
		100% Sustainable Forest Management (SFM) certified pulpwood	Achieved	From September 2013 onward, only plantation wood is used for pulp production in all APP mills
		Maintain a sustainable proportion of recovered fibre in addition to renewable virgin fibre	On track	37% (36% in 2014)
	✓	Develop and implement Integrated Sustainable Forest Management Plans (ISFMP's)	On track	Spatial recommendations to be completed by end Q2 2016. Non-spatial recommendations continue to be developed with improved SOP, forest threat mapping and forest fire risk management
Reforestation	✓	Support the national target to preserve designated protected and conservation areas	On track	Continue commitment towards One Million Hectare Forest Conservation & Protection programme
Conservation & biodiversity	✓	Zero Fibre from High Conservation Value Forest	Achieved	All conversion of natural forest was halted in 2013
	✓	Support the national target to increase by 10% the population of 25 specified endangered species	On track	1 million ha commitment, Launch of Belantara Foundation
Human Rights & Indigenous People	✓	Adopt international guidelines for the protection of indigenous people's customary rights in the forest	On track	Improved FPIC & social conflict resolution procedures & employee training on human rights provided
Community Empowerment	✓	Increase welfare of indigenous & local communities and maintain good relations	On track	Expanded the scope of programs and resource allocation with Desa Makmur Peduli Api (DMPA) program aiming to benefit 500 villages in the next five years.
Climate Change	✓	Implement Peatland Best Practice Management Programme	On track	LiDar data capture completed and analysis ongoing to enhance peatland management methodology
Emissions	✓	10% reduction in carbon intensity by 2020, based on 2012 baseline	Behind	Carbon intensity increased 1%
	✓	10% reduction in energy intensity by 2020, based on 2012 baseline	On track	Energy intensity decreased 4%
	✓	10% below national and/or regional limits for annual SOx and Nox	On track	All mills achieved in 2014
Water Management	✓	Achieve 10% reduction in water intensity by 2020, based on 2013 baseline	Behind	Water intensity increased 30%
		10% below national and/or regional limits for COD and BOD	On track	All mills achieved in 2014
		Improve management of water use in line with the UN Global Compact CEO Water Mandate Programme	On track	Water footprint completed in four mills, target to complete footprints for all mills by 2020
Solid Waste		25% reduction in solid waste to landfill, based on 2010 baseline	Ahead	44% reduction achieved
Employee Welfare		Zero employee and contractor fatalities, major fire incidents and traffic accidents on site	Behind	Not achieved in 2015

SUSTAINABILITY IN CONTEXT

With operations spread across Indonesia our most significant impacts are within our supply chain –specifically the sourcing of wood fibre as a raw material for our mills. Our forest management practices are constantly under global scrutiny due to the fragile ecosystem in which we operate and historic deforestation issues inherent with this region. We apply the precautionary principle, working to protect and enhance Indonesia's forests which have a global impact on carbon emissions and climate change in particular. We strongly believe APP can play a significant role in improving sustainability of Indonesia's forests, driving economic, environmental and social improvements across the region.

STAKEHOLDER ENGAGEMENT

As one of the largest pulp and paper companies in the world, our stakeholder base is global. Our main contact with stakeholders is through our sales teams, CSR teams based at each mill and the Sustainability and Stakeholder Engagement team based in Jakarta and selected key markets.

Stakeholder	Examples of engagement mechanism	Key issues raised
Local communities	Direct outreach from local CSR teams	Employment opportunities Community CSR programmes Mills environmental impacts Indirect economic impacts
Employees	Satisfaction surveys, i-suggest portal, bipartite meetings	Health and safety Diversity and equal opportunities Business ethics
Contractors	Direct engagement by mill procurement teams	Health and safety Business ethics
Media	Media briefings, Press releases, FCP update events	Forest management practices
Customers	Direct engagement by global sales team and Stakeholder Engagement Team	Forest management practices Third party certification and labelling Product carbon intensity
Suppliers	At a national level through Sinar Mas Forestry through FCP implementations	Forest management practices Third party certification
NGOs	Forum Discussion Groups, FCP update meetings and events, conflict resolution efforts	Forest management practices Human Rights Conflict resolution
Government	Direct engagement with APP Sustainability and Stakeholder Engagement team	Forest management practices Mills environmental impacts
All	Forum Discussion Groups Stakeholder materiality workshops Social media Direct engagement with APP Sustainability and Stakeholder Engagement team	

In 2015 we presented our progress to date and challenges faced on a variety of global platforms. This serves as a means of updating stakeholders and receiving valuable feedback. Events included Sustainable World Resources Forum, Sustainable Brands, Bonn Challenge, The Forest Dialogue, RISI Asian Conference, Consumer Goods Forum Global Summit, Innovation Forum Singapore, and COP21. We are also a member of the United Nations Global Compact – Indonesia Global Compact Network (IGCN), Indonesian Business Cooperation for Sustainable Development (IBCSD), Indonesia Pulp and Paper Association (APKI) and The Sustainability Consortium.

SUSTAINABILITY GOVERNANCE
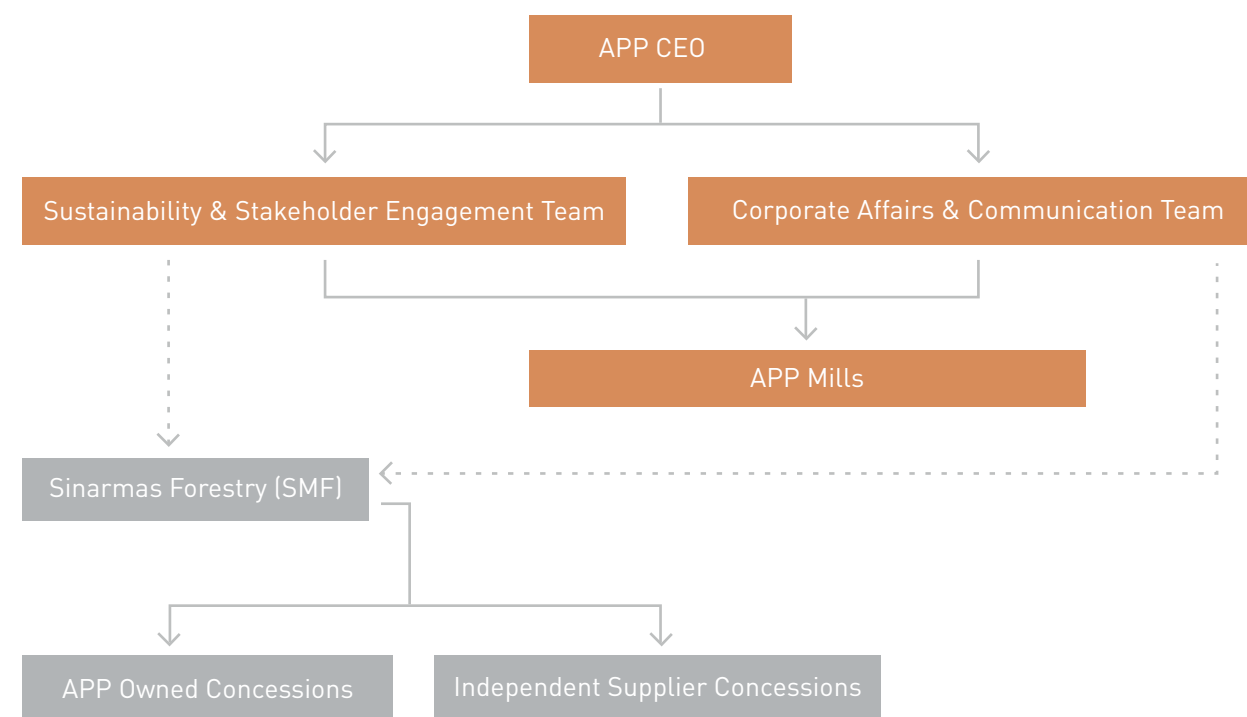
Asia Pulp and Paper Group (APP) is the trade name under which pulp and paper products carrying the APP brand are sold. Each mill is a separate legal entity with its own governance structure. Publically listed mills produce Annual Report and Accounts that detail ownership structure, management team and discussions of major risks and opportunities facing the business, in line with standard financial reporting practices. Reports can be downloaded here.

At a mill level the Board of Commissioners holds ultimate responsibility for the delivery and management of financial, economic and social performance. The nomination process for the Board of Commissioners are conducted through the General Meeting of Shareholders and voted upon by shareholders. In line with local regulation, at least 30% of the Board of Commissioners are independent from the company.

Sinar Mas Forestry is a management team that is responsible for the management of supply of wood fibre to all APP mills.

APP's Sustainability team are ultimately responsible for Group level environmental & social and performance of APP Mills and the management of APP's pulpwood suppliers in relation to the sustainability of the wood fibre supplied, supporting the company's economic performance. The team report directly to the CEO in coordination with mill management representatives. Managing Director of Sustainability and Stakeholder Engagement is the head of the division, providing a link between top management and stakeholder feedback gained from the day to day activities of the Sustainability and Stakeholder Engagement team.

The APP Environmental Committee was established in 2015 to oversee the implementation of Vision 2020 goals at each mill, focusing on environmental goals. Headed by the Managing Director of Sustainability, the committee is formed of key head office functions and mill management, meeting monthly and reporting progress to APP's CEO. Each mill develops commitments under key categories; customer, employee, financial, community and environment. All commitments are linked to individual KPIs which the mill will report against, of which the mill manager is ultimately responsible for meeting the goal. In the last quarter of 2015 we introduced pass/fail scores for a number of key KPIs, with no scaled score. Any mill that suffers a fatality for example would fail. Performance against the KPIs is linked to financial awards for management level mill employees. This set of stricter sustainability KPIs will be implemented in Q1 2016 and will be monitored directly by the Sustainability team.

Wider responsibility of the committee includes ensuring compliance with environmental legislation and building capacity to meet global standards, such as the revised ISO standards released in 2015. The committee recommends Capex investments to APP's Capex Committee.

APP Transformation House is companywide programme that focusses on improving employee and customer satisfaction, employee development and delivering financial results. Within the programme are a number of elements, one of which is sustainability, covering responsible procurement, reduction of carbon emissions and other air emissions.

Policies that support us by guiding employees and setting out clear expectations to our stakeholders underpin our Vision 2020 commitments include;

• Environmental Stewardship Policy
• Forest Conservation Policy
• Responsible Fibre Procurement Policy
• Procurement Policy on Chemical Substances and Articles
• Employee Welfare Policy
• Corporate Social Responsibility Policy

For a full list of company policies please refer to the Policies & Reports section of our website.

The Internal Audit team play a vital role in providing internal assurance that mills are well managed, adhering to standard operating procedures and supporting development programmes in areas where improvement opportunities have been identified. Working independently, the team reports directly to APP's Management team. In 2015 the focus areas were procurement, marketing and sales and quality assurance, with 120 internal audits being carried out in total across the Group.

BUSINESS CODE OF CONDUCT

2015 saw a revised level of commitment to business ethics at APP. Our Business Code of Conduct sets out our expectations of our employees to conduct our business in an ethical and responsible way. Guidance covers issues including non-discrimination, workplace safety, fair competition, conflicts of interest, fraud prevention, gifts and entertainment. We conducted training across all our mills and hosted online tests for all employees to ensure the concepts within the Code were understood. If employees don't reach a score that demonstrates sufficient understanding of the Code additional training is provided. A schedule of roadshows will be completed in 2016. Extending this focus to our suppliers, a Business Ethics questionnaire has been developed for our suppliers, helping us to map risks in our supply chain.

APP's Ethics Call Centre is widely publicised across our mills. It provides a confidential channel to report concerns which are then reviewed by internal audit. In 2015, 122 concerns were reported, resulting in 87 warnings issued to employees with one passed to the relevant authorities to investigate and 33 dismissals. In response to the increased awareness of the Code of Conduct, we saw a reduction in incidents of collusion compared to 2014.

MATERIALITY

In 2015 we updated our materiality matrix to reflect the latest in stakeholder opinion. We conducted workshops in Head Office and in five mills, inviting internal and external stakeholders to the independently facilitated sessions. Stakeholders were provided with the opportunity to discuss the range of issues put forward before working in groups to prioritise each issue. The results were combined with input from the Sustainability and Stakeholder Engagement team, who are responsible for day to day management of stakeholder issues. We also analysed customer questionnaires to understand which issues they believed to be important, reviewed media and considered broader societal expectations. Issues determined as having no importance to stakeholders are not represented on the below matrix. To see how APP interpret the materiality analysis into GRI G4 Aspect Boundaries and G4 indicators that form the basis of this report, see page 77.

IMPORTANCE TO EXTERNAL STAKEHOLDERS		LOW	MEDIUM	HIGH
	HIGH		Carbon emissions	Community engagement Environmental management Water use & discharge Waste Sustainable fibre sourcing Human rights Forest fires
	MEDIUM		Energy use Indirect economic impacts Transport Biodiversity Marketing Other air emissions Corporate governance Noise Economic performance & impact Conflict resolution Product labelling & certification	Health & Safety Diversity and equal opportunities Transparency
	LOW	Business ethics Talent retention Anti - corruption Governance Local recruitment	Employee welfare R&D	
		LOW	MEDIUM	HIGH
		IMPORTANCE TO APP		

MILLS´
ENVIRONMENTAL
PERFORMANCE

SECTION
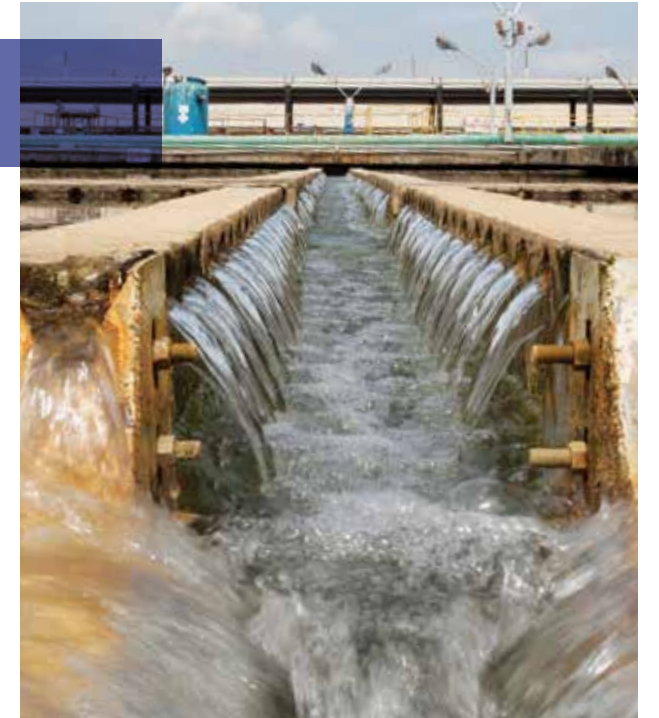
INTRODUCTION

Optimising production efficiency delivers value to our customers and minimises our environmental impact, driving APP towards the goal of long term sustainability. Our ambition is to reach and maintain global best practice in environmental management across all mills, applying the precautionary principle. We use environmental impact assessments, recognised environmental management standards, ISO 9001 & 14001 and in 2015 revised internal reporting of environmental KPIs to sharpen our focus on delivering against our Vision 2020 Roadmap commitments across the group.

FUEL SOURCES FOR POWER PRODUCTION

Bark / Branches

Black Liquor

Sawdust

Coal

Palmshell

Gas

Empty Fruit Bunches

Oil

Sludge

CO_2

NO_2

SO_2

(Pulp Mill Only)

Black Liquor

Bark / Branches

Pulp & Paper Mill

Re-used

Utilised by 3rd Party

Effluent Sludge

Waste Water Treatment

Water Source
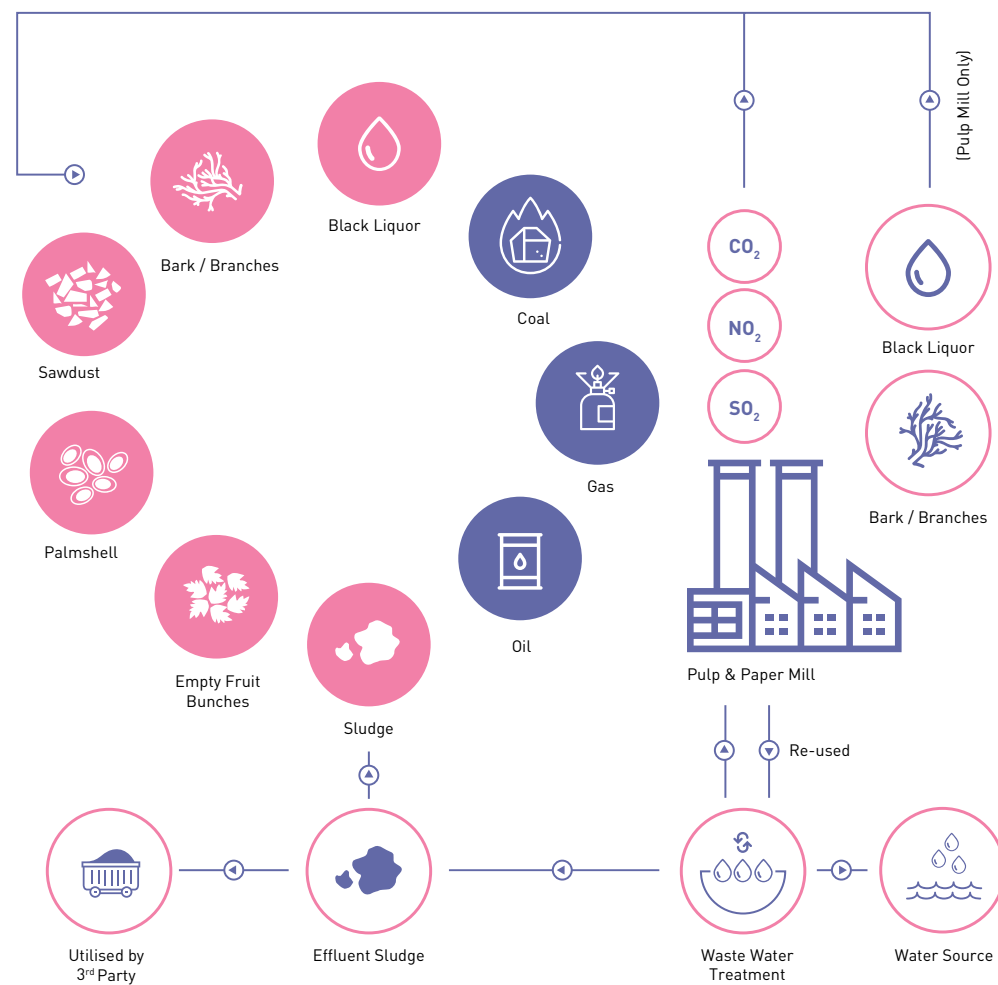
All APP's mills, with the exception of Univenus Perawang are certified to ISO14001, demonstrating that appropriate management systems are in place to reduce environmental impacts, enhance resource efficiencies and ensure legal compliance. We plan to achieve certification in 2017 for Univenus Perawang, while in 2016 we focus on updating ISO 14001 to the revised 2015 standard at Pindo Deli Perawang, located on the same site but with the greater production volumes of the two mills.

All APP's mills (with the exception of Indah Kiat Serang and Tjiwi Kimia, which will join in 2016) are assessed using PROPER, an environmental and social assessment scheme launched by Indonesia's Ministry of Environment in 1996 to enhance national environmental standards. Each mill is awarded a score based on environmental and social performance, management and disclosure. In 2015 Pindo Deli Karawang Mill 2 successfully achieved green level for the sixth time. Unfortunately Indah Kiat Perawang was downgraded from PROPER blue during 2015 due to an incident involving incorrect storage of used chemical containers; the necessary actions have already been taken to resolve the incident, with additional auditing scheduled for 2016. We experienced no significant environmental incidents such as leaks or spills, fines or sanctions for non-compliance with environmental laws and regulations during 2015.

MONITORING PERFORMANCE

The Sustainability Database Programme, introduced in 2014 across all mills, provides a platform for mills to regularly report on production, environmental and social performance through an integrated internal system. Through closely monitoring performance across the group, we are able to highlight areas where corrective action is required, as well as identifying best practice that can be shared.

As part of APP's Transformation Program, additional KPIs were introduced to the mill scorecard in 2015, placing accountability for delivery against targets as the responsibility of the Mill Manager. The goal was to understand and evaluate the broader issues at our mills, channel investment to achieve the highest impact and hold mills more accountable for delivery against sustainability targets. Performance is monitored through 380 specific metrics, developed in accordance with the commitments made within the Vision 2020 Roadmap, FCP, global best practice and requirements of various certification schemes. The score is based on the level of management approach the mill can demonstrate, quality of data it can provide and performance to date.

Established in 2015, the Environmental Committee is led by a combination of Sustainability and Stakeholder Engagement and Corporate Affairs and Communication Division teams. It provides a mechanism to monitors progress of environmental improvement programmes, recommend CAPEX requirements and build internal capacity for continuous improvement.

Key achievements in 2015 include:

- Providing training and internal audits to improve PROPER scores
- Cross sharing Indah Kiat Perawang Fibre Loss Reduction Project
- Providing training for Environmental Pollution Control Managers in water and air emissions) in June 2015.
- Providing training on the most updated version of ISO 9001 & 14001 standards to prepare mills to update their ISO system
- Worked in collaboration with a key chemical supplier to deliver training in hazardous chemical handling

ENERGY AND CARBON EMISSIONS

As with many different manufacturing industries, pulp and paper making is an energy intensive process. The majority of our carbon emissions are related to generating the energy we produce directly or import from an external supplier. The main influence we can have on carbon emissions is to increase energy efficiency and maximise the use of renewable fuel sources. The type of fuel used is determined by fuel availability at each particular mill. Where the opportunity exists we seek to increase the proportion of energy generated from less carbon intensive fuels such as natural gas or high calorific content coal. Energy efficiency is therefore a key metric, both in terms of environmental impact and financial performance of the mill and is something we monitor closely and constantly strive to improve. While the majority of significant improvements are a result of investment in new or upgraded equipment, savings can also be made through small improvements and upgrades, or modifying behaviour or procedures which collectively deliver impressive results over the longer term.

At Pindo Deli Karawang the installation of a new transformer increased the power factor of the electricity drawn from the grid, which increases the efficiency of electrical energy and reduced power loss. It resulted in savings of $1.4m and a 48% reduction in purchased electricity.

Driven by a programme to reduce the use of coal from both an environmental and financial perspective, Ekamas Fortuna improved boiler efficiency through equipment modification and installed a multi-cyclone system to flue gas system. Coal use has decreased 4%, with further gains expected as the efficiency of the system improves. Redesign of the vacuum systems on both paper machines, coupled with reductions made in energy used in the refiner resulted in a saving of 1,065 kW of power. In February the mill also began to utilise the renewable energy from their waste water treatment plant, with waste methane gas in 2015 producing 1,155 MW of renewable energy that otherwise would have been wasted.

Internationally recognised energy management certification, ISO 50001, forms an important part of our energy reduction strategy. Four mills have achieved this to date; Indah Kiat Tangerang, Indah Kiat Serang, Lontar Papyrus and Pindo Deli Karawang. The remaining mills are working towards achieving certification; in line with the certifications requirements we have created the position of Energy Manager at each of the mills, together with additional training and updated energy monitoring software. Dedicated energy audits, utilising a separate independent team, take place across our mills to help them identify areas for improvement and prepare them for ISO 50001, further supporting our focus on energy efficiency.

At Indah Kiat Serang an energy reduction project involved breaking mill processes down into small sections and assigning a dedicated energy team to identify the key issues and opportunities for improvement. The project saved around $1.4m over 10 months. The project contributed towards achieving ISO 50001 certification at this mill in October 2015.

As part of the Vision 2020 roadmap APP aims to reduce the carbon emissions of mills by 10% by 2020, against a 2012 baseline. We document our carbon footprint across all our mills based on Intergovernmental Panel on Climate Change (IPCC) and World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) – Greenhouse Gas (GHG) Protocol methodology, providing us with a clear historic profile of the emissions associated with our operations overall, which in some cases can even be analysed to show the emissions associated with specific product lines. We are currently in the process of enhancing the level of detail we provide to our customers in terms of product carbon footprint.

APP Consolidated GHG emissions	Unit	2015	2014	2013
Scope 1	tCO_2e	10,661,320	10,371,326	9,834,678
Scope 2	tCO_2e	1,098,209	1,055,166	1,072,572
Intensity	tCO_2e/t	1.40	1.37	1.36

Carbon intensity increased 1% in 2015 largely due to a new boiler installation at Tjiwi Kimia. During the commission period in September 2015 more coal was consumed, resulting in 16% more coal consumption compared to 2014.

We do not calculate employee commuting and business travel (scope 3 emissions) in our greenhouse gas calculation, since it is estimated that the number will be insignificant compared to the emissions from our manufacturing activity. Instead, we focus our efforts on reducing greenhouse gas emissions within APP's manufacturing process, where the bulk of our emissions are generated.

Our integrated pulp mills, Indah Kiat Perawang and Lontar Papyrus, are able to benefit from bark and black liquor as a renewable fuel source. Renewable energy sources create a significant opportunity for APP to reduce carbon emissions through the reduced reliance on non-renewable fuels. In 2015 APP maintained 46% of fuel used from renewable sources, despite an unexpected power shutdown at Lontar Papyrus resulting in increased coal demand. Indah Kiat Perawang further increased their use of renewable energy - 60% of the energy generated is from renewable sources. The challenge now is the availability of biofuel to further reduce the mills reliance on coal. A feasibility study was conducted in 2015 to evaluate possible additional sources of biofuels for the mill, and this study found a source of bio-fibre as a waste stream from nearby palm oil plants that could be used. This will be investigated further in 2016.

	Unit	2015	2014	2013
Renewables power generation	GJ	105,646,712	100,764,018	103,368,821
	%	46%	46%	47%

WATER

The UN Global Compact CEO Water Mandate programme, of which APP is a signatory, requires us to set an example by adopting a responsible approach to water management. With increasing global pressure on water resources, we recognise our responsibility to minimise its use and ensure any waste water we return to source is clean and safe. Water is a vital ingredient for our processes; not only does it provide the medium in which to transport fibre from pulp to paper, it is also used in the form of steam in the drying and heating process, and in driving power turbines in the power plant.

Due to the volume that our mills require we extract water from local water sources, rather than relying solely on municipal supplies. The pulp and paper making processes do however offer a high degree of water reuse. By using the latest technology and process design we reused 22% of our water in 2015.

	Unit	2015	2014	2013
Water withdrawn from source	m^3	234,641,177	243,258,925	247,313,902
Reuse/recycled	%	22	19	31
Consumed water intensity	m^3/t	25	24	20

Detailed water footprint analysis across all mills continued through 2015. Indah Kiat Perawang carried out their assessment in 2013 and is already reaping the awards, having reduced water use 20% in the pulp making since completing the assessment.

Water efficiency improvements often create other positive impacts related to reduced energy use and waste. Pindo Deli Karawang installed a new steam condenser to improve the quality of condensate which resulted in multiple benefits; less freshwater is consumed and less energy is required to heat the boiler as the condensate has a higher temperature. At Ekamas Fortuna an anaerobic digester was installed to improve the quality of water effluent from the waste water treatment plant. An additional benefit is the by-product of the process (biogas) is now being used at the mill as a fuel. Our integrated paper mills have made water savings through increasing the reuse of white water from their pulp fibre lines; this has also decreased the amount of fibre loss in the waste water. Savings are a result of installing additional wash presses on the pulp fibre lines and have contributed to a water use reduction of 20% at Indah Kiat Perawang and 32% at Lontar Papyrus.

Indah Kiat Serang's water source is the Ciujung River, of which the water quality has been getting progressively worse during 2015 due to the prolonged dry season. The mill has had to use more energy and chemicals to improve the quality of the water they use. The Government of Indonesia has committed to building a new dam on the river to help ensure a more consistent flow of water and reduce flood events. Indah Kiat Serang will share their experience and best practice in waste water management with other industries in the nearby area.

We constantly measure and monitor our water BOD and COD levels (Biochemical Oxygen Demand and Chemical Oxygen Demand), which measure organic pollutant levels, and Total Suspended Solids (TSS). The data is reported to the relevant authorities and we provide samples for lab testing by independent third parties. In 2015 all water discharges complied with standards set by the government.

WASTE

Changing the attitude towards waste is the key to both reduction and identifying opportunities for reducing waste. Our aim is for all mills to see waste as an opportunity to improve efficiency and provide cost effective alternative to landfill or disposal. Our main waste streams are ash residue created from the power production process and sludge waste from pulp and paper making process. In 2015 we reused, recovered and recycled 44% of our waste, an increase on the 39% in 2014.

One of the mills to secure a license to recover waste was Indah Kiat Tangerang. Sludge recovered from the waste water treatment plant is used as raw material for lower grade paper, such as chip board or pallet covers. Some sludge is dried and used as fuel mix for the boiler or sent to a licensed third party to be processed further. Ekamas Fortuna also recycles sludge at their mill through reusing it in the production process to make lower grade paper and for making shoe soles. They also send any surplus sludge to a licenced third party which processes it to make other products. An added benefit is the improvement of waste water quality, which is well below national guidelines across all indicators as less material is required to be removed from water before it is discharged back to its source. Pindo Deli Karawang employs a similar approach, producing low grade paper from waste sludge material. 30% is utilised within the mill with the remaining 70% sold to a licenced third party who also produce paper from the waste material.

For our integrated pulp and paper mills, waste generated from the process of producing pulp can be used as a fuel. Black liquor, bark and other residue directly replace fossil fuels, so not only does the process reuse a waste product; it also reduces the use of carbon intensive fuels. During 2015 our integrated mills produced 62% of their power from such sources.

A focus on fibre loss across all mills helped us to identify ways to reduce the amount of fibre that is present in waste water, with the added benefit of reducing fibre demand at the paper machine and thus improving fibre yield. Through modifications in equipment design and processes, more fibre is removed through filtration, screening and equipment found in all paper mills including floatation cells and washing systems. Indah Kiat Perawang reduced fibre loss through waste water by 74% in 2015, showing what results can be achieved through similar projects.

A challenge we often face is storing enough material to make collection from a licensed third party economically viable. Pindo Deli Karawang built a new storage facility to increase storage capacity and protect the materials before sale and further processing. This is part of the mill's programme to improve the segregation of non-hazardous solid waste items and has resulted in an increase of waste reused. It has also increased the value of waste when sold. Pindo Deli Karawang also diverts boiler ash from going to landfill through removing the waste product from boilers to licensed third parties for use in cement production.

	Unit	2015	2014	2013
Total waste	tonnes	1,225,526	1,222,995	1,197,470
Landfilled waste	tonnes	279,168	369,606	370,966
Waste intensity	t/t	0.13	0.13	0.14

RECOGNISED ACHIEVEMENTS

- Five of our mills have been recognised by the Green Industry award from the Industrial Minister of the Indonesian Government in recognition of their efforts to improve resource efficiency and renewable energy use.
- Pindo Deli Karawang and Indah Kiat Perawang achieved certification from Ecolabel New Zealand for improving environmental performance, energy efficiency, reducing waste and the use of certified fibre in their products.
- Indah Kiat Tangerang received the National Energy Efficiency Awards in the big industry category for achieving a 13% reduction in electricity and 18% reduction in steam demand.

SUSTAINABLE
FIBRE SOURCING

APP's pulpwood suppliers operate within a globally critical and challenging ecosystem. The protection of these vital landscapes is our number one priority and must demonstrate to our stakeholders our genuine intent to ensure our fibre source is sustainable.

SECTION

5

APP SUPPLY CHAIN AND FIBRE SOURCES

Pulpwood

Local

Imported

Recycled

APP's Pulpwood Suppliers

Pulp Mill

Pulp

Paper Mill

Power Generator Facilities

Converting Facilities

Associated Chemical Production

Finished Products

SOURCES OF PULP IN 2015

Imported pulp 10%

Local pulp 53%

Recycled 37%
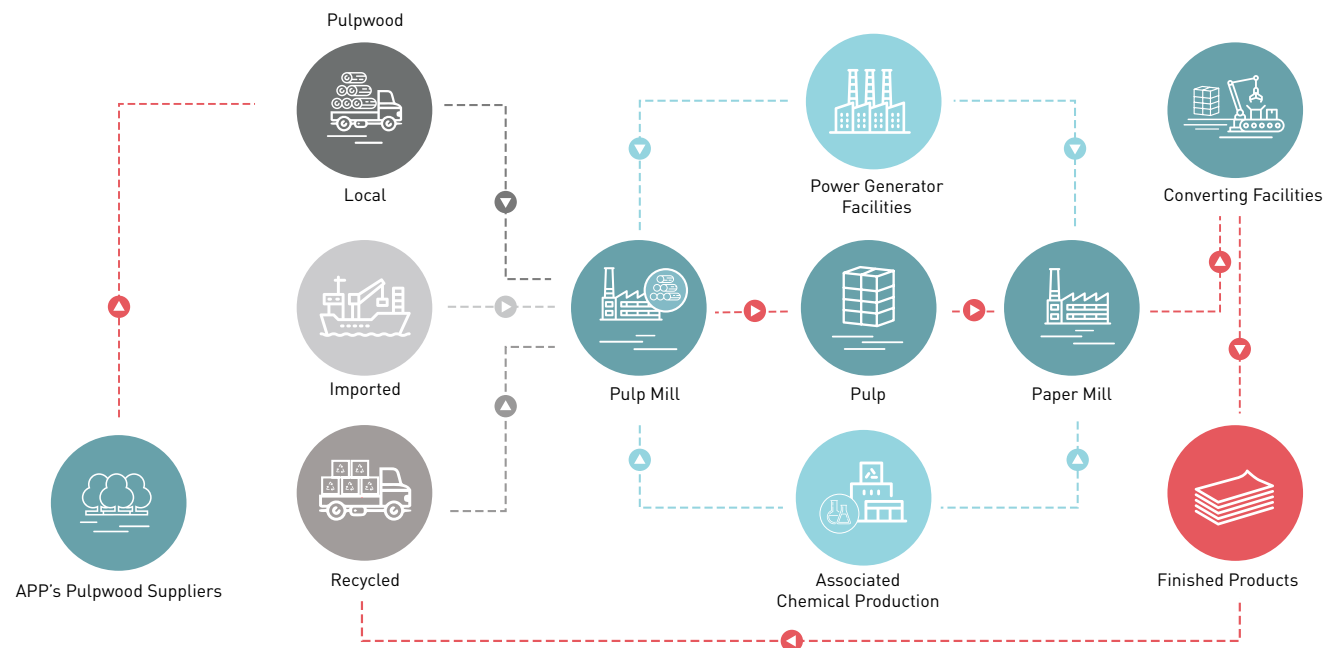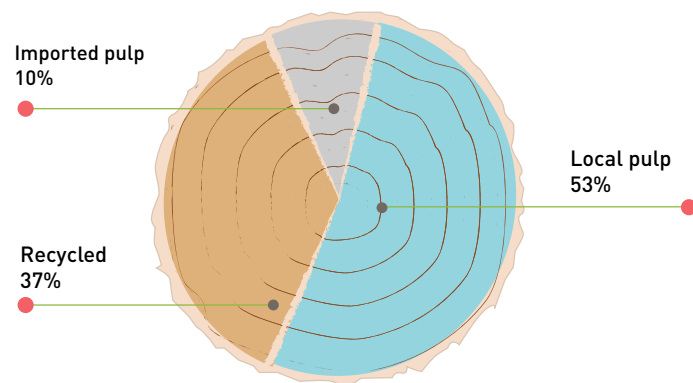
MAP OF APP PULPWOOD SUPPLIERS CONCESSION

EAST KALIMANTAN SUPPLIERS

WEST KALIMANTAN SUPPLIERS

RIAU SUPPLIERS

JAMBI SUPPLIERS

SOUTH SUMATRA SUPPLIERS
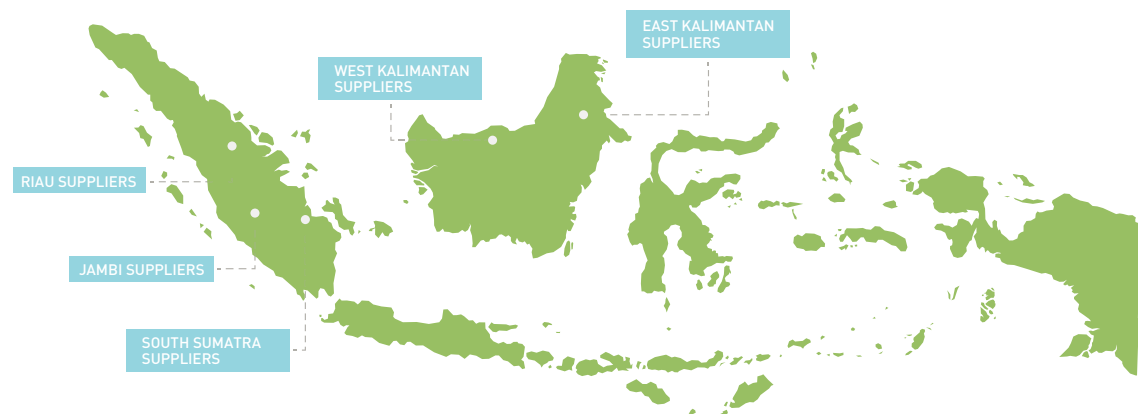
FCP IMPLEMENTATION PLAN:
2015 AND BEYOND

- Landscape data collection
- Peatland landscape mapping
- Peatland best management practices

3 HCV MANAGEMENT & PROTECTION

4 PEATLAND BEST MANAGEMENT PRACTICES

7 SUSTAINABLE WOOD SUPPLY

2 WILDFIRE PREVENTION & MANAGEMENT

5 FPIC & SOCIAL CONFLICT RESOLUTION

8 LANDSCAPE CONSERVATION INITIATIVES

INTEGRATED SUSTAINABLE FOREST MANAGEMENT PLAN (ISFMP)

POLICY COMMITMENT 1: **PROTECTING NATURAL FOREST**

POLICY COMMITMENT 2: **PEATLAND MANAGEMENT**

POLICY COMMITMENT 3: **SOCIAL COMMITMENTS**

POLICY COMMITMENT 4: **GLOBAL SUPPLY CHAIN**

- Concession boundary overlaps
- Forest threat mapping
- Coordination with government enforcement agencies

- FPIC protocol
- Training
- Clarifying / Re-socialising grievance protocol

1 THIRD PARTY CLEARANCE PREVENTION

6 WORKERS' RIGHTS & WELFARE

9 INTERNAL ENGAGEMENT

FCP SUPPORTING INITIATIVES

APP's Forest Conservation Policy (FCP) is our commitment to immediately end deforestation in our supply chain and bring sustainability to the forefront of our operations. It was introduced in 2013 and subsequently updated with the FCP Implementation Plan 2015 based on the feedback and recommendation received from the Rainforest Alliance evaluation which we commissioned in 2014. Our progress against the FCP is reported publically on a quarterly basis.

The FCP covers four policy commitments; zero deforestation, best management practice on peatland areas, responsible engagement with communities and staff, and maintain a responsible global supply chain. We are moving towards a landscape approach, collaborating with stakeholders in and around forest concession areas, recognising that we will not achieve our goals in isolation – we need the support and engagement of government, business, local communities and NGOs.

In accordance with the commitments within the FCP, 100 % of the fiber supplied to APP originates from responsibly managed plantations. The majority of the fiber is sourced from pulpwood plantation managed by APP's pulpwood suppliers in Indonesia, with the remainder being sourced from certified sources imported to Indonesia.

HCV STUDY	HCS STUDY	PEATLAND MANAGEMENT	SOCIAL MANAGEMENT	GROWTH & YIELD
Areas with outstandingly significant or critically important ecological, social or cultural value.	Areas that contain high above-ground biomass/vegetation cover, meaning it stores a large amount of carbon.	Peat experts assessment and recommendations for best practice management.	FPIC for new developments, social mapping for responsible conflict resolution.	Assessing current &potential plantation yield across all suppliers area.

INTEGRATED SUSTAINABLE FOREST MANAGEMENT PLAN

INTEGRATED SUSTAINABLE FOREST MANAGEMENT PLAN

At the core of the FCP is our Integrated Sustainable Forest Management Plan, or ISFMP. It brings together all the critical aspects of the FCP to form one single overarching plan on how a forest area should be managed, balancing stakeholder needs, key risks and opportunities. The key element of the ISFMP is the concept of landscape management, recognising that we must look beyond our concessions boundaries if we are to be successful in implementing sustainable forest management practices. Assessments on HCV, HCS and peatland consider landscape level issues, going beyond forest concession boundaries.

Recommendations from various studies listed in figure above, were compiled and integrated to develop a revised spatial plan for each Forest Management Unit (FMU) that supplies to APP. Not all recommendations are aligned and a process is required to reconcile these with the input of stakeholders in each landscape who have direct insights and understanding of the local circumstances. For example, two stakeholder groups have different views on what activity should take place on a given area of land, while a HCV assessment could offer a third opposing finding. In order to reach consensus stakeholders are invited to workshops in each landscape to review recommendations from the various studies. After the workshops, an ISFMP Task Force, whose members are representatives from local NGOs, academics, communities and related government agencies, was established for each landscape to provide inputs on ISFMP spatial plan development. These task forces went to the field to directly verify issues on the ground. In 2015 stakeholder workshops introducing ISFMP and presenting recommendations from HCV, HCS, Social, and Growth & Yield studies for all 10 landscapes were carried out. We also completed the ISFMP spatial plan for OKI and MUBA landscapes in South Sumatera while the remaining are to be completed by Q1 2016.

To complement the landscape approach in managing our suppliers' production forest concessions, APP supports the development of landscape conservation initiatives outside of our suppliers' concession areas through the Belantara Foundation (see page 40).

APP actively encourages stakeholder participation in conflict resolution. The types of conflicts we typically identify tend to relate to historic claims of land use, overlapping boundaries and differing opinions from different communities which can include indigenous people. In response to stakeholder feedback, social conflict management approach was further developed in 2015. We introduced new KPIs and assign clearer timelines and responsibilities for resolution of each conflict. We now apply the Free Prior Informed Consent (FPIC) model, not only in areas where new development and/or conservation is proposed, but also prior to logging activities beginning in developed plantation areas. Local NGOs play a more involved role now too - we recognised the part they play in making conflict resolution a success.

When it concerns their areas, we approach other concession holders to be part of the discussion, if they can help the conflict reach resolution. The challenge we often face is clarifying land and occupation issues in the absence of clear records, a problem faced throughout Indonesia. Ultimately we categorise land conflict claims based on several aspects, including legitimacy of land use rights. Conflict resolution in some cases can be slow due to the complexity of land use rights and inconsistent land use information across different government agencies. Where appropriate we are supported by external parties TFT and relevant NGOs to help us reach resolutions in these cases.

RESPONSIBLE CONFLICT RESOLUTION

In 2015, a new Social and Security Division was established in Head Office to develop an improved approach to suppliers' social management and security and forest protection programmes which are closely interrelated. A revised approach to community security is in development starting in 2015. These actions were taken in response to an incident involving one of our pulpwood suppliers' security contractors which resulted in the death of a community member. A full description of the incident, our response and follow up actions can be found here.

2015 Updates

• **Senyerang** – Highlighting the complexities of reaching conflict resolution, this particular case dated back to 2000. Following numerous meetings, agreements for community development programme investments, external verification, government endorsements and multi stakeholder working groups a resolution was finally agreed by all parties in 2013. Regular monitoring & evaluation of the implementation is now in place.

• **Riding Village** – A land use conflict dating back to before APP's pulpwood supplier began operations in the area led to resistance from the local community in plantation development. Using an independent third party as mediator, a draft agreement has now been established, following a period of co-operation between the local community and APP.

• **Rajo Melayu** – A local tribe claimed that land used by a APP supplier for pulpwood plantation was in fact their land to develop rubber and palm oil. A agreement was signed in June 2015 to resolve the conflict – implementation of the actions agreed has begun & the schedule for monitoring is being discussed with the parties.

HCV

High Conservation Value (HCV) assessments have formed a vital part of our FCP since its inception. Forest areas are assessed and graded accordingly. APP completed all HCV assessments in its suppliers' concessions in 2015. Public summaries, including maps and data, are available on APP's FCP monitoring dashboard. Our focus in 2015 is on using the information we have collected to inform the development of ISFMPs and develop spatial plans for all wood supply regions. We aim to have completed this by the end of Q2 2016.

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

CHANNELLING INVESTMENT TO MAXIMISE IMPACTS

In 2015 APP became the founding member of the Belantara Foundation, established to provide a mechanism to channel public and private investment to a landscape approach in forest conservation projects in the ten priority landscape in Sumatra and Kalimantan. Launched at the Global Landscape Forum of UNFCCC COP 21 in Paris in December 2015, the Belantara Foundation will work with communities, civil society organisations, government and businesses to help ensure a careful balance is found between economic development, the livelihoods of people in local communities and environmental conservation. APP has committed to providing $10m each year for all ten landscapes, channelled through the Belantara Foundation. We are now ready to begin working together with other key stakeholders in the landscape to help support the protection and restoration of Indonesia's forests by fostering collaboration and securing and directing funding effectively.

Collaboration plans have already began in many landscapes, with letters of commitments drawn up between stakeholders and progress already underway.

- A final proposal for a community based peatland ecosystem restoration in Tahura Tanjung, Berbak Landscape submitted by Belantara Foundation has secured matched funding
- In collaboration with Yayasan IAR Indonesia, conducted an Assessment of Orangutan Distribution, Abundance and Habitat Suitability within the Kubu Landscape
- In collaboration with Ecositrop, conducted a study of Distribution, Population and Quality of Orangutan Habitat in Muara Kaman-Sedulang Wildlife Sanctary within Kutai Landscape
- In collaboration with IDH The Sustainable Trade Initiative, Alas Kusuma, Mayawana Persada, Mayangkara Tanaman Industri and Wana Subur Lestari, conducted a Baseline Study for A collaborative Project on Forest Fire Prevention and Wildlife (Orangutan & Bekantan) Management in the Kubu Landscape.

COMMITTED TO CONSERVATION

The Berbak-Sembilang landscape refers to a large area on the east coast of South Sumatra and Jambi province. It consists of 1.1m hectares of peatland forest, mangroves and lowland forest ecosystems. There are two national parks in this landscape. The Sembilang National Park and Berbak National Park. The Sembilang National Park is the largest remaining area of mangroves in western Indonesia. The area has been determined designated as one of a few priority landscapes for Sumatran tigers. The population now exceeds 700, a testament to the conservation efforts made. Human-tiger conflict has been cut dramatically too, through better conflict management and awareness raising. The work here has been recognised by the IUCN.

As part of the significant milestone APP reached in August 2015 in which we announced five peatland plantation areas would be retired for conservation purposes, an area adjacent to the Sembilang National Park has now been retired from commercial use. We believe this important commitment will have a significant positive impact on the national park that borders this area and we will now work with the local community - applying the FPIC approach – as we make this land use change.

In an effort to support the protection of elephant populations APP is partnering and supporting a number of specialist organisations across Indonesia. We supported BKSDA Jambi in relocating wild elephants in the Bukit Tigapuluh landscape and have a number of programmes established to reduce the risk of conflict, one of the main risks to elephant populations. We worked with WWF, the Elephant Conservation Forum (FKGI) and BBKSDA Riau in conducting Human-Elephant Conflict mitigation, establishing patrol teams to monitor areas at risk of conflict in the Giam Siak Kecil landscape. Training in identifying and reducing conflict risk was provided in the Padang Sugihan landscape, South Sumatra.

FOREST FIRES

The extent of forest fires in late 2015 were of a scale unexpected by any organisation. The El Nino phenomenon resulted in an exceptionally long dry season and the late arrival of the wet season, bringing with it the rain that helps to contain fire. At APP our policy is clear: we do not burn our suppliers' forest concessions. We will disengage with any supplier involved in starting fires. As a company reliant on supplies of pulpwood, it makes no commercial sense for APP suppliers to start fires in order to clear land or to burn the plantation wood on which our business depends.

During the forest fires experienced in late 2015, APP provided support in a variety of ways. We rented two amphibious aircraft to tackle fire from the air and provide our own firefighting experts to support in regions most affected. In total APP's pulpwood suppliers deployed more than 1,500 certified fire fighters with additional support, 2,600 members of the local fire fighting council (Masyarakat Peduli Api/MPA), two helicopters, 34 fire trucks, 698 portable water pumps and more than 20 excavators. We also provided medical support in the areas most affected by the haze, providing masks and vitamin supplements to those most vulnerable.

Fire is a hugely complex issue, involving the rights of local communities, illegal activity by small enterprises and fundamental complexities over land use rights, maps, ownership and protection. There is however a strong human element to fires and the challenge for APP to overcome is the complexity of controlling all activity in and around our concessions. Illegal encroachment and the practice of slash and burn agriculture by smallholders are major factors of fires and these are challenges APP can only successfully address by working together with other stakeholders including government, law enforcement and communities.

Looking forward, we have taken a number of steps to help prevent future fires escalating to the size we witnessed in 2015. Next year we will roll out our Integrated Fire Management (IFM) strategy. The strategy consists of a number of key initiatives:

- Aircrafts with state-of-the-art thermal imaging cameras will help gather hotspot data with far greater accuracy than satellite imaging, relaying this data to those in affected areas within 15 minutes

- Two medium lift helicopters capable of carrying up to 3,500 litres of water to improve extinguishing capabilities

- Improved fire management coordination and rapid response across APP suppliers' fire fighting teams by implementing the Incident Command System (ICS). Fire management experts TREK Wildland Services from Canada and Working on Fire (WOF) from South Africa will provide 400 fire commanders from APP and its suppliers with ICS training

- New fire patrol route maps based on past fire occurrence and local risk factors to ensure that firefighters are closely mapped to identified risks

- Forest fire management will form part of each landscape level master plan for sustainable forest management.

APP has and will continue to invest significantly in further developing and improving our ability and capacity to mitigate fire risks. The IFM strategy is proof of our commitment - it provides APP with the skills, knowledge and infrastructure to prevent or better manage fires. We are fully aware that fire management is complex and requires a multi stakeholder approach, which is why we place great emphasis on working closely with our suppliers, local communities and a variety of relevant stakeholders to ensure we have the capacity and support to implement a more efficient and holistic fire management system.

AGROFORESTRY PROGRAMME

Community engagement within and around forest concessions will now have a greater focus on empowerment – provide a sustainable alternative source of income in order to reduce the community's dependency and pressure on forest land. Recognising the success of individual programmes that APP and our pulpwood suppliers have been undertaking for a number of years, in December 2015 APP announced the Integrated Forestry & Farming System (IFFS) / Desa Makmur Peduli Api (DMPA) programme.

Supporting the economic development of local communities provides alternative livelihoods and reduces the pressures on the land, helping to keep Indonesia's forests intact. It will bring together all of our knowledge gained to date and greatly widens the scope - this program aims to cover 500 villages across APP's suppliers' concession areas in Indonesia in the next five years. The villages were prioritised based on risk of land conversion, fires, encroachment, illegal logging using data from historic incidents and conflict mapping exercises. We will work with partner NGOs and other local stakeholders to select communities to focus on. APP is investing up to $2m per year in the programme and include the sharing of rearing initiatives for livestock, sustainable fruit and vegetable farming techniques and forestry and business skills to enable alternative livelihoods that do not involve the clearance of natural forest for further economic development. In 2016, APP aims to roll out the programme to 80 villages.

CHAIN OF CUSTODY AND SUSTAINABLE FOREST MANAGEMENT CERTIFICATION

Using recognised national and international certification schemes, APP provides stakeholders reassurance that the wood fibre used in its products are sustainably sourced. We use a variety of schemes to demonstrate this due to the complexity of forest certification in Indonesia and in the response to the requirements of our customers, which vary by the region they are based. Sustainable Forest Management (SFM) certification provides independent confirmation that the forest is managed in a responsible and sustainable manner according to a recognised standard. Chain of Custody (CoC) certification provides assurance that the timber material used in product came from sustainably managed forest and/or non controversial or controlled sources.

Total Plantation area of APP owned and independent suppliers	Ha	2,613,149
IFCC Certified		12%
LEI SFM Certified		83%
PHPL-VLK Certified	%	98%
VLK Verified (only)		2%
Total certified SVLK scheme		100%

SUSTAINABLE FOREST MANAGEMENT CERTIFICATION/VERIFICATION

NURSERY   PLANTING   PLANTATION   CONSERVATION

BOUNDARY CONTROL

CHAIN OF CUSTODY

HARVESTING   TRANSPORT

CUSTOMERS   PAPER MANUFACTURE   STORAGE
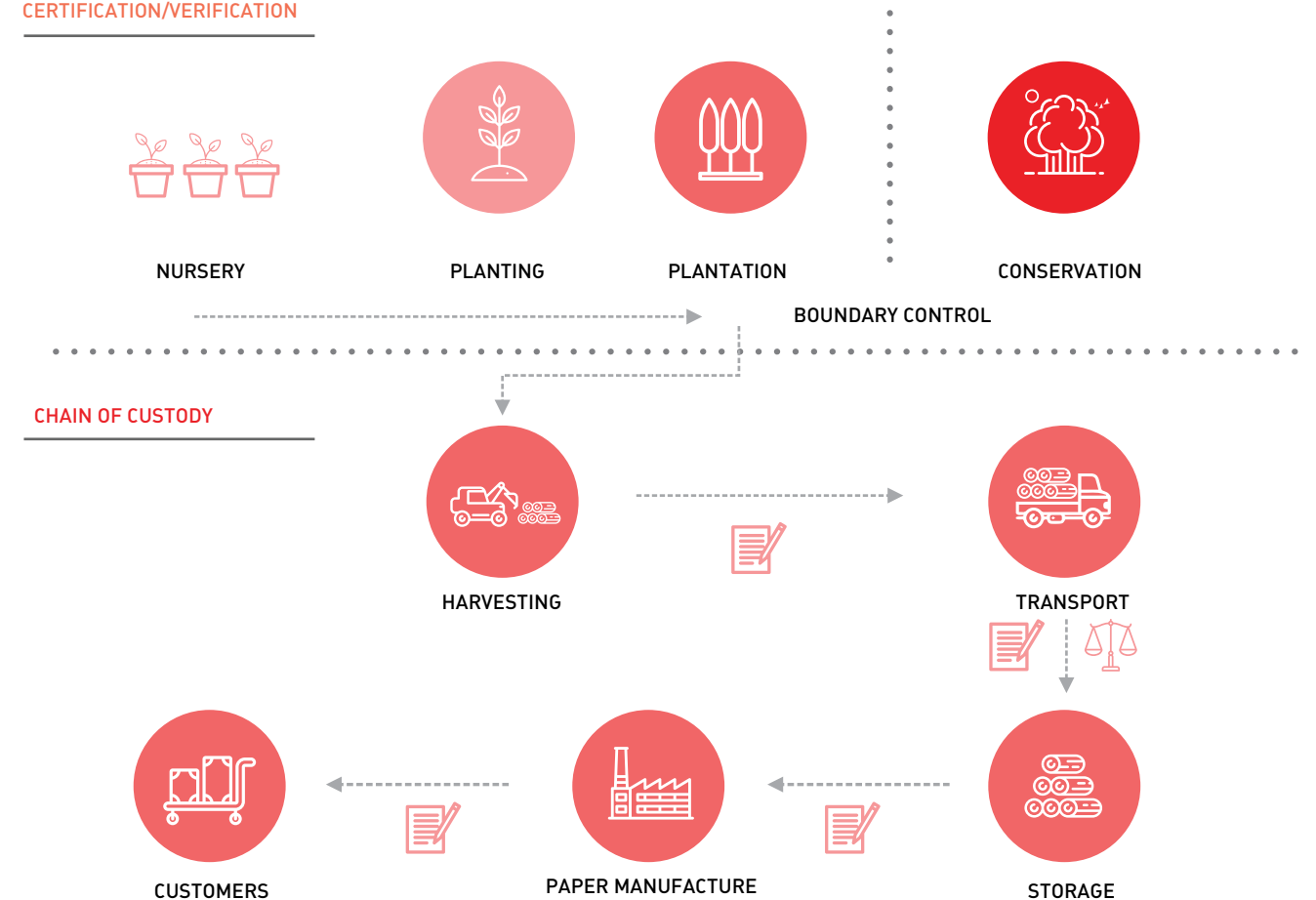
2015 – CERTIFICATION UPDATE

- In 2015, all APP pulp and paper manufacturing mills have been SVLK (Timber Legality Verification System certified, 8 mills are PEFC CoC certified, and 5 mills are LEI (Indonesian Ecolabeling Institute) CoC certified. See page 11 for details.
- All FMUs that supply pulpwood to APP have achieved the mandatory national forest certification under SVLK and PHPL (Production Forest Sustainable Management) standards.
- In total 19 APP pulpwood suppliers are certified under the LEI SFM in 2015.
- In December 2014, the global certification scheme PEFC endorsed the Indonesian Forestry Certification Cooperation (IFCC) SFM scheme. In 2015, APP supplier, PT Arara Abadi, became one of the first FMUs to be PEFC/IFCC SFM certified forest in Indonesia. By the end of 2015, three FMUs achieved the PEFC/IFCC certification.
- One additional woodchip supplier achieved PEFC certification
- In August 2015, The FSC Board agreed to enter a formal dialogue and to start the process of ending the disassociation with APP after reviewing APP's progress in implementing FCP. In preparation for the process, APP carried out FSC training and gap assessment on its supply chain.

PEATLAND MANAGEMENT

Sumatra and Kalimantan, where APP pulpwood suppliers forestry concessions are located, contain a significant amount of peatland, with Riau Province has the highest proportion of peatland at 47%. These areas are a critical ecosystem that store significant levels of carbon and have a high biodiversity value. Responsible forest management within these areas helps to reduce peat forest loss, greenhouse gas emissions and the risk of fire.

Since 2014, APP has been working closely with Deltares, an independent institute for applied research with expertise in hydrology and peatland management to collect comprehensive data on the peatland areas within our supply chain to develop a better peatland management plan. LiDAR (Light Detection and Ranging) mapping, carried out by aircraft and supported by on the ground analysis provided a detailed analysis of this critical landscape where APP's suppliers' concessions are located. After flying 11,000km over six weeks, 4.5m ha of peatland areas along the east coast of Sumatra and in West Kalimantan were mapped, providing vital information to understand how to manage this area responsibly. Based on quick scan analysis we identified plantation blocks located in critical peat landscape, and as a result, 7,000ha of productive plantation was retired for conservation.

Combining the mapping data and experts' recommendations with our experience to date, our focus now is on developing Peatland Best Management Practice Plan (PBMP) for our pulpwood suppliers. One of our first steps was the construction of dams along the perimeter canals throughout our suppliers' concession area located on peat, in order to keep the peat area hydrated by raising and maintaining water level in the forest areas bordering to our plantation. As of the end of December 2015, 2,000 dams have been constructed. A total of 7,000 perimeter canal dams were planned to be completed by the end of Q1 2016. Better water management is part of responsible forest management, providing better protection against the risk of forest fire and peat subsidence. Buffer zones between forest and plantation areas will also be introduced to achieve a transition from plantation water depth to natural water depth, that will allow long-term conservation of peat and of natural peat swamp forests.

SUSTAINABLE WOOD SUPPLY

Ensuring a long-term sustainable wood supply for its pulp mills is one of APP's biggest commercial priorities. It is also an area of increased stakeholder interest, as APP prepares to commission the OKI mill in South Sumatra which is targeted by end of 2016. We have developed an action plan that sets out ways in which we can increase tree growth yield through the development of more robust seedlings, develop more area specific siviculture, improve disease & pest control, and reduce wood loss from harvesting and wood handling to mill sites. APP is strongly committed to maintaining zero deforestation in our operations and we will continue to monitor and work with our suppliers to improve wood supply availability to ensure we are able to meet the future needs of our operations.

EMPLOYEE
WELFARE

SECTION

OUR WORKFORCE

Employee welfare is fundamental to our business success. At APP we place a large emphasis on creating a safe and thriving working environment that allows our employees to prosper and supports our goal of attracting and retaining talent. In 2015 we revised our approach to Health and Safety, driving a revised approach and accountability from the very top of the organisation. APP is one of Indonesia's largest employers and employment opportunities are critical in sustaining the livelihoods of local people in the regions where we operate. We recognise the responsibility this places on APP in the employment we provide.

	2015	2014	2013
Total	38,159	38,380	40,072
Male	33,371	33,457	34,774
Female	4,788	4,923	5,298

EMPLOYEE COMPOSITION AT MANAGEMENT LEVEL

5% 1%

27%

67%

○ <30   Years old
○ 30-50 Years old
○ > 50   Years old

○ <30   Years old
○ 30-50 Years old
○ > 50   Years old
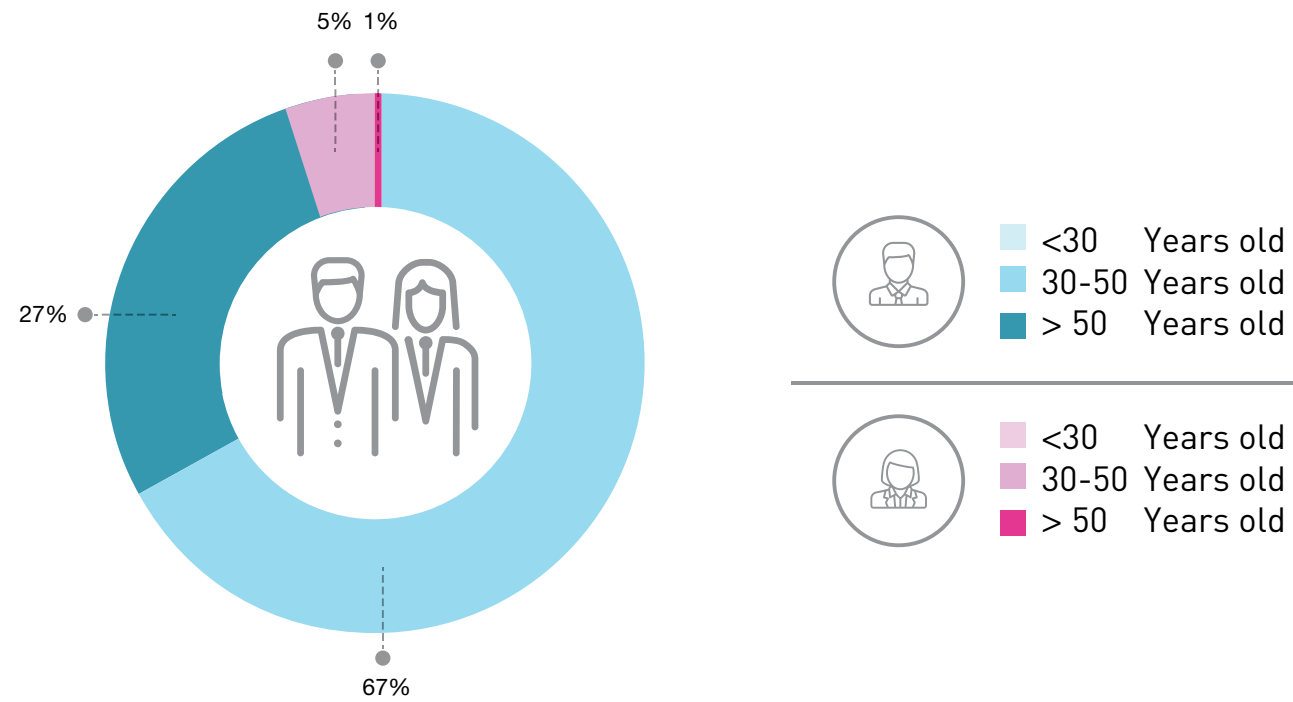
EMPLOYEE COMPOSITION AT NON-MANAGEMENT LEVEL

4% 1%   20%

11%

1%

63%

○ <30   Years old
○ 30-50 Years old
○ > 50   Years old

○ <30   Years old
○ 30-50 Years old
○ > 50   Years old

TREATING ALL EMPLOYEES EQUALLY

APP's Employee Welfare Policy is the cornerstone of our approach to employee health and wellbeing, setting out clear commitments to making APP a safe, fair and prosperous workplace. The policy covers discrimination, health and safety, medical facilities for employees, training and education, human rights and also commitments to support contractors and suppliers.

APP does not tolerate discrimination in any form. The APP Employee Welfare Policy includes commitments covering harassment or discrimination, and each mill emphasises this commitment in their Collective Labour Agreements, which also includes mechanisms to report any grievances or harassment of any description. There were no reported incidents of discrimination in 2015.

Offering competitive remuneration and benefits is imperative to maintaining our position as an attractive employer. The base pay for our employees across all our mills is at least equal to local minimum wage, which varies by region. APP also provides annual holiday entitlement and medical benefits, in addition to pension provision for all permanent employees, which follows Indonesian government regulation. Incentive plans for outstanding achievement link to our continual efforts to retain talented employees. 6% of our employees are under short term contracts – it is common practice in Indonesia for new employees to be employed under these terms until probation period has been passed successfully, after which time the contract becomes permanent and these employees enjoy the full range of employee benefits.

Each mill is empowered to provide additional welfare programmes that suit the needs of their workforce. At Indah Kiat Perawang for example there were several programmes introduced in 2015 to improve employee welfare at the mill. These included blood donations every 3 months, subsides on staple foods supply (rice, sugar, cooking oil, and milk), Mayday activities, fun walks and a Best Employee Award.

We attract a large proportion of male employees due to the manual nature of many of the production based roles found in a pulp or paper mill. However we have a continued emphasis in

encouraging a greater number of female employees to join the company for all roles and levels of responsibility. Our Employee Welfare Policy outlines our approach to equal opportunities; we offer identical base salaries for male and female employees. We ensure the recruitment of women into senior manag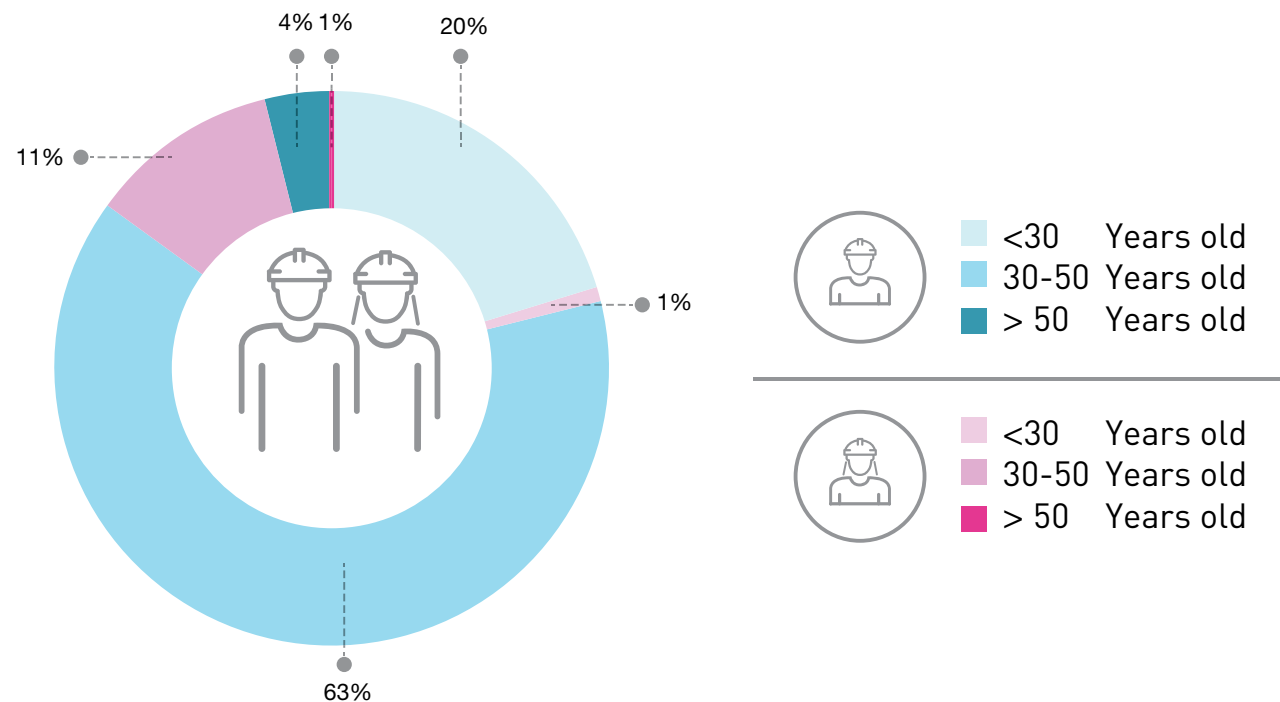ement positions is fair and consistent by abiding to our Equal Opportunities Policy that forms part of the Employee Welfare Policy and Business Code of Conduct. The male to female ratio across our company is 87:13, unchanged from 2014. Female representation in management roles is currently 7%, a slight reduction from 8% in 2015.

When recruiting for new positions we look for the most suitable candidate based on competence and experience, vital when considering the technical nature of many of our roles. Hiring from the local community is a key aim, which is why we favour local applicants for roles where candidates have equal competence and experience. To ensure our senior management teams are representative of the local community, where suitable candidates are present, we aim to hire from the local community. 4% of roles were filled with local hires during 2015, highlighting the challenge we have in recruiting into senior roles locally. Typically we have to look for candidates at a national or international level for the most senior roles.

APP believes in employee's right to freedom of expression and the right to establish and join organisations such as labour unions, therefore our management work closely alongside union representatives to facilitate unions and trade groups. During 2015, issues raised by labour unions included welfare costs, housing loans and health benefits. We responded by reviewed housing loan provisions that are in place at a number of mills already. All our employees are covered by collective bargaining agreements. During 2015 the joint union between Pindo Deli Perawang and Indah Kiat Perawang split to become two separate unions. As the smaller mill of the two, this was an improvement for the employees at Pindo Deli Perawang. They are now more visible to management and their first request for improved recreational and sports facilities was approved.

RETURNING HOME SAFE, EVERY DAY

		2015	2014	2013
Injury rate	M	3	11	5
	F	1	2	2
Lost day rate	M	77	180	146
	F	10	31	24
Fatalities	M	4	8	9
	F	0	0	0
Absentee rate		0.12%	0.02%	0.06%
Frequency rate		13	17	22
Severty rate		35	81	119

Providing the safest working conditions possible is of upmost importance to APP. Employee health and safety is paramount to success at APP and our goal of zero accidents reflects our aim to create the safest working conditions possible. The use of heavy and potentially dangerous machinery is inherent to many roles, reinforcing the importance of effective training and the provision of necessary protective equipment to ensure our employees remain safe at all times.

Tragically four employees lost their lives in work related incidents during 2015. At Lontar Papyrus a fatality occurred as a result of a malfunctioned moving fork lift truck. At Indah Kiat Serang a grinder operator was electrocuted whilst performing routine maintenance and at Indah Kiat Perawang an employee was cleaning underneath a conveyor and suffered a fatal head injury. One employee at our Tjiwi Kimia mill was fatally injured in a forklift truck accident. In all incidents root cause analysis has been performed and the necessary remedial action has been put in place to prevent future accidents. Unfortunately there were also four contractor fatalities at Indah Kiat Perawang during 2015, two contractors were killed by a collapsing crane boom, one contractor fell from a conveyor while cleaning and one contractor was struck by a reversing log truck.

This performance is unacceptable and prompted a complete revision of how APP manages Health and Safety, particularly in regards to contractors, driven from APP's top management team. In a revised management approach introduced in 2015, each mill established a safety function reporting directly to the mill manager who in turn is responsible for updating the CEO and senior management each month on Health and Safety performance. The safety function is empowered to make local management decisions and develop a safety strategy that is applicable to each unique mill.

As part of the Transformation Programme (see page 20), Health and Safety KPIs for each mill are simply scored as pass or fail – poor performance will significantly affect the mills overall scorecard performance and employee incentives across the mill. A dedicated health and safety function has been established at head office, forming part of the Sustainability and Stakeholder Engagement team. Going forward this team will take responsibility for overall group strategy and measuring performance.

In terms of day to day management, every one of our mills adheres to SMK3, the mandatory management system in Indonesia for companies that employ over 100 workers, to enforce health and safety standards. It is our aim to achieve internationally recognised OHSAS 18001 certification in all our mills by 2020. During 2015 three of our mills achieved certification; Lontar Papyrus, Indah Kiat Perawang and Pindo Deli Perawang. We are making good progress towards achieving this goal, with Indah Kiat Serang attaining certification in 2014 and two remaining mills currently working towards certification.

Each mill has a specific team responsible for managing health and safety in their own way to ensure their approach is tailored to operations at each mill. We also encourage sharing of best practice through the APP Health and Safety Improvement Programme which facilitates information sharing and cross learning. Continuous improvement is necessary in order to drive positive change and development in the area of health and safety. Mill safety teams are reviewed at Group level and monitored on an ongoing basis with areas for improvement

being highlighted. Examples of health and safety improvement areas in 2015 include improved standards of PPE, the creation of safety committees across all mills, more safety officers and enhanced safety training.

As a pre-requisite to the contractor selection process we now include a requirement for a health and safety specialist to be present in each contractor team. Where the contractor is expected to carry out high risk work that requires specialist skills we also require that specific health and safety training relating to that task has been provided. For contracts over a set commercial value we also require OHSAS 18001 certification.

The challenge we face is to build a sense of accountability and responsibility amongst contractors who work is, by nature, short term. We introduced safety inductions prior to commencing work at APP, regular licence checking for heavy equipment users, spot checks for correct PPE and promoting the role of a designated safety officer amongst each contractor team.

Raising awareness of the importance of safety is crucial in driving positive behaviours. At all mills there is a 'five minutes for safety' talk before each shift starts. This talk ensures that potential safety hazards are considered before work commences in each unit. At Indah Kiat Perawang the shift teams share pictures via mobile phone to highlight hazards and place maintenance requests for corrective actions to be taken. Pindo Deli Perawang uses a loud speaker to remind employees of the correct PPE to wear and of the speed limit across the mill.

A new Health and Safety Policy statement was published at Ekamas Fortuna during 2015. The safety culture has previously been identified as a risk at Ekamas Fortuna which is why in 2015 there was a significant focus on improving the culture through daily awareness talks, additional provision of PPE, funding for PPE and external training. Pindo Deli Karawang provided new guards and markings around paper rolls to reduce the risk of hands getting trapped in the moving machinery. Lockout systems have also been installed on all machinery which will automatically turn machinery into safe mode if any hazards are identified. At Indah Kiat Serang three new videos have been created by the mill to raise awareness among employees of safety. There was also an increase in the frequency of safety inspections on electrical equipment.

Traffic congestion and road safety is an ongoing challenge at many of our mills, particularly during rush hour. We continue to provide training to instil a better culture as well as having speed limits with clear signage at all of our mills. Vehicle testing and speed checks are carried out regularly.

Training in health and safety is a central tool in improving the vigilance and competencies of our employees. The extent and nature of training varies across each of the mills depending on their predominant challenges, but it commonly includes general health and safety, fire safety, first aid, emergency response and road safety. Road safety is particularly important because the number of road related incidents at many of our mills over the past few years has increased. We also offer

safety training related to employees' specific roles, including chemical, boiler and pressurised vessels, electrical, hoist crane and forklift safety courses. Other important communication channels reinforce the training messages and include the use of computer screensavers, posters and videos.

Active at all our mills is a joint safety committee representing the whole workforce. Safety concerns and improvement suggestions are communicated through these committees. The safety committee is responsible for providing updates on recent incidents, in addition to responding to, and communicating improvement measures. Engagement between mills and labour unions also focuses on health and safety; typical discussions include training, education and the provision of personal protective equipment.

Fire safety is critically important across all our mills. To mitigate this risk there has been additional training at mills on fire safety, training of specialist fire safety wardens and an increased focus on smoking risks and identification of smoking areas. Lontar Papyrus introduced an infra-red checking systems for saw mill chipping and tissue dust, which highlights fire hazards in the material. Indah Kiat Perawang held a competition for employees, contractors and their families run by the fire brigade team in order to raise awareness of fire risks. Indah Kiat Serang increased firefighting capability with the purchase of two new fire trucks. In 2016 we will engage a third party to conduct Fire & Explosion Risk Analysis across all mills, starting with Indah Kiat Perawang which is deemed the highest risk mill within the group.

It is our responsibility to ensure that we provide sufficient healthcare facilities to help maintain and improve the health and wellbeing of our employees and their families, contributing to a lower level of employee absence. There is at least one medical clinic on site at each of our mills, available to both employees and their immediate families. Annual health check-ups are compulsory for all employees working at our mills; these include screening for occupational diseases. We also offer our health programmes to members of the communities surrounding our mills via access to our clinics and a range of health related campaigns. APP raises awareness of HIV/ AIDS, and endemic diseases such as dengue fever and malaria through clinics for employees, their families and the surrounding community. These clinics are usually run in collaboration with relevant government institutions within the region.

ATTRACTING AND RETAINING TALENT

New employee hires	M	1,596	5%
	F	96	2%
Turnover	M	2,350	7%
	F	238	5%

Our goal is to attract and retain talent both from the immediate areas surrounding our mills, and from further afield through offering competitive salaries, career development opportunities, paid leave, performance management, health insurance, pensions and scholarship programmes. Additional benefits include health insurance, bonus schemes and sabbatical leave, these vary by mill and a number of which are only available to permanent employees.

Employee feedback is essential to improving employee welfare, through our portal i-suggest employees can submit suggestions and opinions about a range of topics including remuneration, benefits and welfare as well as operational improvement suggestions regarding machinery and processes. The suggestions assist us in understanding areas for improvement, while at the same time enhancing employee satisfaction and safety. Each mill incentivises employees to use the i-suggest portal in a different way.

The attraction and retention of young talented people continues to be a challenge for us, largely because of the remote location of many of our mills, and the increasing number of opportunities available to young people in Indonesia. In an effort to improve our retention rates, we offer increased daily allowances to employees working at mills outside of their local vicinity, and higher incentives and rewards for higher performing employees. APP's scholarship programme, in cooperation with the Academy of Pulp and Paper Technology (ATPK), is geared towards attracting top talent to the mill.

At Lontar Papyrus there is a technical paper course at the Institute Technology Science in Bekasi, in which Lontar Papyrus currently provides scholarship for 12 students there and will provide them with a job at the mill once they graduate. Lontar Papyrus also offer internships to local students, this is in the form of a three month placement at the mill where they can gain work experience. The students receive a wage and also benefit from accommodation, food and transportation at no cost. The project is run in cooperation with the government who provide additional financial support. During 2015 51 students took part in this programme. There is a similar scholarship programme at Indah Kiat Serang for employees' children of elementary school age. 2163 students were part of the programme in the 2015 academic year.

TRAINING

We help ensure that our employees remain informed, motivated and highly skilled to perform their job by offering continuous learning and development opportunities. In 2015 we conducted an average of 12 hours of training per employee on topics such as safety, as well as technical training specific to our employees' different roles. Specialist training such as negotiation and sales training was provided for area and regional sales managers. All of our employees received annual performance reviews, one way in which we ensure training needs and requirements are aligned.

As part of the Transformation Programme, efforts are underway to ensure training across APP is integrated. In 2015 we began to put a structure in place to form the APP Academy which will ultimately cover all training requirements across all mills. We will develop four different schools; leadership, pulp and paper production, energy and marketing and sales. APP Academy has been successfully piloted in Indah Kiat Perawang, a full roll out will be carried out in 2016 at the mill. We aim to have all mills integrated into this training approach by 2020.

Attracting young talent with the technical experience in pulp and paper remains a challenge for APP. We recruit university students directly and collaborate with Young Leaders for Indonesia.

We have a long-term commitment to our employees and their wellbeing beyond their time at APP. To support our employees in their future careers at APP we provide re-training to develop additional skills required to embrace a career change. We offer end-of-career support aimed at helping their transition to retirement. The nature of this support varies at each of our mills and includes both internal and external training courses, and retirement pay that accounts for age and length of service.

COMMUNITY

Our mills and pulpwood suppliers rely on a strong relationship with local communities to operate successfully. Our mills rely on local employment and in the case of the communities that are based in or adjacent to our concessions are vital to the successful implantation of our FCP. To read more about these projects and the Agroforestry Programme that will reach 500 communities please see page 42.

Supporting the communities where we operate is a core commitment at our mills. Progression against Vision 2020 targets is monitored monthly and linked to employee performance targets. Guided by the UN Sustainable Development Goals, APP's mills focus predominantly on health, education, infrastructure and empowerment projects. Each mill can tailor its own approach, guided by a local CSR team. Social audits, both by our internal teams and independent auditors help to maintain standards, raise awareness of social performance and demonstrate compliance.

In 2015, five of our mills conducted socioeconomic baseline studies of their local communities. Supported by local universities, self-assessment questionnaires and surveys were delivered to residents of local districts. This included questions on income, health, education, environment, housing conditions and the perception of the mill's impact on the community. The results have informed strategic development priorities and community engagement plans for the coming years and is relevant with the requirement of social aspect for PROPER Green.

SUMMARY OF SOCIAL IMPACT ASSESSMENT

MILL	RESULTS
Indah Kiat Tangerang	Over 900 people from five different communities took part in the assessment. The most important issues were reported as water sanitation, improving the local economy and health.
Indah Kiat Serang	From a survey of over 400 members of the local community, water sanitation, improving the local economy and health the most important issues reported. To improve perception of the mill the community is engaged through CSR programmes, focussing on environmental and health issues. We have increased awareness of these programmes too, ensuring the wider community are aware and able to take advantage of the support we provide. Community leaders are vital in their role to support the communication of our messages.
Lontar Papyrus	Local economy, women empowerment, water sanitation and health were reported as the most important issues for 480 community members surveyed. In response to these results the mill will focus on increasing family income through women empowerment, improve health programmes that focus on infant and personal hygiene particularly and improve community engagement around operational impacts of the mill.
Tjiwi Kimia	Almost 300 respondents from four local communities provided feedback against the mills CSR activities, reporting if each activity met expectation. We identified in environment, economy and health programmes we exceeded expectations, but we need to improve philanthropy, education and religious programmes.
Pindo Deli Karawang	A survey of 1000 families based in five local communities provided vital feedback to further improve community programmes. Lack of clean water supplies and sources of stable income are the most critical community needs – the mill responded with programmes to install fresh water wells and vocational training.

Every year Ekamas Fortuna support areas affected by the dry season; the mill almost tripled the volume of water supplied to the affected communities last year. This consists of a truck delivery of water supporting an estimated 70 households in Bandarangin, 40 households in Bumirejo and a drop in a local school in Bendo, all villages located within 10 km radius of the mill. Between July and November, 29 deliveries of 300,000 litres of water were made, enough to supply 3,000 villagers.

Continuing the focus on water, Ekamas Fortuna rebuilt a local water source in the Sumberejo village in partnership with the government. Though they don't have responsibility for the maintenance of the tank, they do ensure that local community members that are unable to benefit from the piping of water from the tank are delivered water in the dry season.

As with many of our mill community programmes, we see empowerment as the key to successfully providing long term solutions to meet community needs. Indah Kiat Perawang provides financial support to local communities to maintain land for food crops. The proceeds of sale provide additional income, with the mill providing support to transport the excess crops to market for sale.

PARTNERSHIP WITH HABITAT FOR HUMANITY – CASE STUDY

Driven by our commitment to ensure availability and sustainable management of water and sanitation – in line with the Sustainable Development Goals and our role within the UN CEO Water Mandate - we continued our partnership with Habitat for Humanity in 2015. We worked together to identify suitable investment opportunities, engaging with local communities throughout to ensure the alignment of needs and expectations. Typically the communities that we focus on use river water for their daily needs and sanitation. These poor hygiene practices increases the incidence of disease and is a particular risk for the elderly and the young. In Ragas Mesigit, a community close to the Indah Kiat Serang mill we continued with phase 2 of the project, financing the construction of three community water sanitation facilities, a latrine and hygiene training for 99 villagers. Indah Kiat Perawang led a similar project; 258 houses were renovated, 70 bio sand filters were installed to provide clean water in situ and avoid having to walk to the river, making a real improvement to day to day life. In the Lubuk Miam village ten water sources were installed, bio sand filters provided to the benefit of over 180 families and WASH training given to 168 individuals.

Projects at Indah Kiat Perawang and Pindo Deli Karawang saw an investment of $200,000 to support the construction of toilet and clean water facilities for a school and a village. Our participatory planning approach ensured that the local communities would be responsible for constructing and maintaining the toilets and water wells. The facilities have benefited the 89 households in the village, and the well has also provided an essential water source for communities further afield. The project was also supported with training on water sanitation and personal hygiene to improve the health of our communities.

At Lontar Papyrus, a Community Development centre, built by the mill in 2012 provides a focal point for community projects. In the first year of opening the centre has been used by over 3000 people on average per month from ten neighbouring districts around the mill. Projects include:

- Crops are cultivated on site and used as a teaching resource for the local community, demonstrating the techniques required to grow a variety of crops throughout the year. The crops grown are harvested as part of the teaching programme and sold to mill employees
- Providing training for livestock
- Fish farming skills and training
- Composting techniques, showing how to generate fertiliser to increase crop productivity
- Providing a facility for leadership programmes, government training and local community groups

Outside the centre, the mill provides a range of other projects, with a focus on education and health. Scholarship programmes are provided, some are based on needs – targeting families with the lowest incomes within the community, whereas others are based on the type of education – for example supporting students who intend to follow their education through to pulp and paper production related subjects. 81 students benefited from the scholarships in 2015.

Training was provided for nurses from sub disctrict health centre (Puskesmas) to support the local community too, along with accommodation and transportation. The nurses have a particular focus on supporting new-borns and monitoring child health through to the age of five. This is in addition to support the mill provides to bring a doctor from local town to the more remote communities around the mill to provide more specialist care if required. The HIV/AIDS programme continued in 2015, with awareness campaigns in 14 schools and other community centres.

Applying the micro financing model used at many of our mills, Indah Kiat Perawang has funded a range of different projects in 2015 a total of 90m IDR was made available, 66 individuals took advantage of the scheme. The interest-free loans are awarded after the applicant puts forwards a business case and an interest free payback plan is established. In the future the scheme will be run as a cooperative, run by the local community, while the mill provides the funding. This will give the local community business and finance skills.

"In 2013 I took out my first micro financing loan, at that time I had no income. I used the loan to buy seeds and fertiliser and used a small area of community land to grow crops. After paying back the loan I took another in 2015 to expand the area of land and buy machinery to help with harvesting. I can now grow several types of crop and make up to 3m IDR a month. When the crop yield is too much for me I to harvest I offer employment opportunities to others in the community"
Srihartuti - member of the Tualang village.

"I used the loans to fish farm, purchasing fish eggs and the infrastructure to establish the farm. Demand for the fish has been good, I also sell small fish to bigger farms to provide an additional revenue stream. From the income I generated I bought a goat and I hope to pay back the loan within 2 years"
Lasiman – member of the Tualang village.

In some cases we respond to direct requests for support from local communities. A head master of a local school with 160 pupils requested support from Indah Kiat Serang to repair the damaged roof that posed a significant safety risk for the children and also prevented them from attending classes in the rain. The mill funded the repair, in addition to providing furniture for the schools.

Working in collaboration with a waste contractor, Tjiwi Kimia provided a waste composter for a local market to encourage responsible disposal of waste. Before the compactor was installed a lot of the waste ended up in the local river adjacent to the market. ECOTON manage waste collection and provide

training for the local community in waste segregation. The mill is looking for opportunities in other communities to replicate the success of this programme.

Addressing a localised flood risk, Tjiwi Kimia funded a project to dredge sediment from the local river. The added benefit of the activity to local farmers is the increased frequency of harvesting of the adjacent paddy fields. In 2014 only one harvest was possible, in 2015 this increased to three, making the land more productive.

In a comprehensive approach to supporting local education needs, Indah Kiat Tangerang provided mindset training for school teachers, delivered by specialists from an education consultancy firm. This was in addition to distributing textbooks to 30,720 pupils across 65 state schools. Public infrastructure improvements continued in 2015, with paving block renovation, construction of improve fencing around community areas and water tank installations. A tree planning programme further enhanced the water projects with a programme to reduce the risk of soil erosion in flood prone areas.

APP plays an active role in the Indonesia Global Compact Network (IGCN), participating in many community based water projects. To celebrate World Water Day 2015, we held an event in collaboration with other IGCN members, water companies and various government organisations. We raised awareness of water issues around the Ciliwung river bank and carried out a tree planting programme to improve flood resistance.

ABOUT THIS
REPORT

8

Asia Pulp and Paper's Sustainability Report 2015, published in September 2016, communicates a summary of our approach and performance against our Sustainability Roadmap: Vision 2020 and, within the roadmap, our Forest Conservation Policy (FCP) commitments. The contents of this report should be read alongside the information provided in the sustainability section of the APP website. Relevant links are provided throughout this report.

This report continues our commitment to annual sustainability reporting. Our most recent report, the 2014 Sustainability Report, was published in September 2015.

REPORT SCOPE AND BOUNDARY

Unless stated otherwise, information in this report relates to the calendar year 2015.

APP is a brand name under which our products are sold. Purinusa Ekapersada is the brand holder of APP. The scope of the report covers APP pulp and paper manufacturing operations in Indonesia.

The following operational facilities are within scope of this report.

Legal entity	
PT Indah Kiat Pulp & Paper Tbk	Indah Kiat Perawang
	Indah Kiat Serang
	Indah Kiat Tangerang
PT Pabrik Kertas Tjiwi Kimia Tbk	Tjiwi Kimia
PT Pindo Deli Pulp and Paper Mills	Pindo Deli Karawang (mill 1 and 2)[4]
	Pindo Deli Perawang
PT Lontar Papyrus Pulp and Paper Industry	Lontar Papyrus
PT Ekamas Fortuna	Ekamas Fortuna
PT The Univenus	Univenus Perawang

Sites which do not manufacture pulp or paper and head office are excluded from the report. APP will consider reporting on these functions in future reports.

Due to organisational structure and differing stakeholder priorities, APP China publishes a separate Sustainability Report which can be viewed here.

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

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

DEFINING REPORT CONTENT

The content and quality of this report is guided by the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines (version 4), known as 'G4'. We apply the guidelines and associated indicators to ensure we report against our relevant economic, social and environmental impacts and mitigation activities. We have assessed the main impacts in relation to the G4 Aspects and how they relate to APP and our supply chain, reporting against each indicator accordingly. See Section 10 for the indicators we report against.

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

The report has been externally assured to the internationally recognised AA1000 (AS) 2008 standard and meets the requirements of G4 Core. We continue to use independent external assurance of our report to ensure credibility and the accuracy of our data and claims.

The assurance statement covering this report is presented on page 72.

If you have any questions or feedback on this report we would be pleased to hear from you.

sustainability@app.co.id

[4] Data collection processes at Pindo Deli mill 3 are not yet fully established to allow us to report for the full 2015 calendar year. Our intention is to report data fully in the 2016 Sustainability Report.

DATA TABLES AND ASSURANCE STATEMENT

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SECTION

GROUP ENVIRONMENTAL DATA TABLE

			2015	2014	2013
Production	Pulp	tonnes	3,783,000	3,606,000	3,377,832
	Paper[1]		2,927,000	4,927,750	5,151,996
	Stationery		202,000	189,000	-
	Tissue[2]		421,000	366,000	329,000
	Packaging		2,120,000	-	-
	Total (excl chemicals)		9,453,000	9,088,750	8,858,828
	Chemicals produced		2,426,536	1,819,936	2,027,761
	Total		**11,879,536**	**10,908,686**	**10,886,590**
Materials	Total raw material for pulp	tonnes	14,940,156	14,776,456	11,015,816
	Total raw material for chemicals		5,023,787	1,351,159	3,224,391
	Total raw material for paper		4,872,709	4,545,298	4,442,432
	Total raw material packaging		135,318	158,411	66,679
Energy	Coal	GJ	102,141,191	100,705,720	97,733,021
	Diesel Oil		606,277	715,372	366,501
	Industrial Diesel Oil		65,712	32,142	9,508
	Marine Fuel Oil		202,579	104,488	93,222
	Marine Diesel Fuel		0	0	13,759
	Gas		17,817,451	17,771,724	16,509,972
	Total non renewable (direct)		**120,833,209**	**119,329,448**	**114,725,983**
	Bark		21,925,752	33,967,199	23,007,187
	Black Liquor		81,831,431	65,245,030	79,001,567
	Sawdust		216,442	222,393	163,194
	Palmshell or Crushed Palm Shell		197,269	123,258	268,021
	WWT sludge (compost)		676,624	1,135,871	703,794
	Biogas		84,394	70,245	49,573
	Empty fruit bunches (tankos)		234,398	23	38,177
	Total renewable (direct)		**105,646,712**	**100,764,018**	**103,368,821**
	Purchased electricity		6,491,174	4,096,733	4,267,117
	Total energy consumption		**232,971,095**	**224,190,199**	**222,361,921**
	Energy intensity	GJ/t	27	27	28
Carbon[3]	Scope 1*	tCO$_2$e	10,661,320	10,488,940	9,834,319
	Scope 2*		1,098,209	1,085,424	1,072,572
	Biomass		10,538,677	10,275,009	10,350,087
	Carbon intensity	tCO$_2$e/t	1.40	1.37	1.36
Water	Total water withdrawn by source	m^3	234,641,177	243,258,925	247,313,902
	Percentage water recycled	%	22	19	31
	Effluent discharge to river	m^3	203,330,278	199,093,214	198,094,416
Waste	Landfill	tonnes	279,166	369,606	335,850
	Composting		0	0	40,889
	Utilised by licensed third party		373,502	238,819	186,701
	Recycled		527,865	401,518	337,360
	Incinerated[5]		0	34,932	30,639
	Recovered		0	0	944
	Reused[4]		0	0	28,236
	Temporary storage		14,005	3,508	498
	Total hazardous waste		**1,190,869**	**1,048,382**	**961,117**
	Landfill	tonnes	4,703	0	35,117
	Composting		0	0	0
	Utilised by licensed third party		22,497	88,983	28,892
	Recycled		7,062	80,328	48,271
	Incinerated		0	0	2
	Recovered		0	0	0
	Reused		0	0	94,791
	Temporary storage		7,350	5,303	29,279
	Total non hazardous waste		**41,612**	**174,614**	**236,353**
Others	ODS Emissions	tonnes	45	52	32
Environmental expenditure	Waste disposal, emissions treatment, and remediation costs	US $	21,204,901	31,988,955	33,504,735
	Prevention and environmental management costs	US $	26,806,848	11,196,958	44,572,504

[1] Paper production in 2013 & 2014 already included packaging (not recorded separately)
[2] Tissue production in 2014 was revised to include Univenus Perawang
[3] Data calculation based on Intergovernmental Panel on Climate Change (IPCC) and World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) - Greenhouse Gas (GHG) Protocol methodology
*Data 2013 & 2014 revised following updated IPCC 2013 standard and emission factor for electricity from national grid
[4] Started in 2014 we categorised reused, recycled and recovered into one category
[5] Started in 2015 we include incinerated into one category with reused, recycled and recovered

MILL ENVIRONMENTAL DATA TABLE

			Indah Kiat Perawang			Indah Kiat Serang			Indah Kiat Tangerang		
			2015	2014	2013	2015	2014	2013	2015	2014	2013
Water emissions	pH	mg/l	7.4	7.4	7.4	7.6	7.5	7.7	7.6	7.3	7.8
	TSS		78.0	75.5	75.2	26.7	24.4	18.0	7.7	10.9	8.0
	BOD		75.5	76.2	48.6	45.6	36.6	49.0	12.6	16.9	18.8
	COD		289.0	288.1	193.7	141.4	109.4	119.7	43.8	68.8	42.8
	AOX		7.0	8.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A
Air emissions[6]	NO_2	mg/Nm³	139.5	103.3	115.7	598.9	523.1	230.5	3.3	126.8	81.9
	SO_2		200.1	291.7	149.3	224.5	266.1	169.9	49.8	91.3	15.1
	ClO_2		17.4	17.2	0.0	N/A	N/A	N/A	N/A	N/A	N/A
	HCl		2.9	5.0	0.0	0.0	0.0	0.9	N/A	N/A	N/A
	Cl_2		4.1	4.1	0.1	N/A	N/A	N/A	N/A	N/A	N/A
	Opacity		< 20	< 20	16.7	15.0	12.5	10.3	< 20	< 20	12.5
	TRS		11.9	16.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0
	Total Particulate		111.3	113.2	86.9	28.9	44.6	44.3	7.8	47.7	85.7
Others	Distance to protected area	km	Tesso Nilo National Park (50)			Halimun Mountain National Park (40)			Rawa Danau Tukung Gede Conservation Area (20)		
	Local water source		Siak River			Ciujung River			Cisadane River		

			Lontar Papyrus			Pindo Deli Karawang			Pindo Deli Perawang		
			2015	2014	2013	2015	2014	2013	2015	2014	2013
Water emissions	pH	mg/l	7.1	7.0	6.8	6.6	7.2	7.2	Discharge via Indah Kiat Perawang		
	TSS		26.8	55.2	42.4	16.0	43.2	19.5			
	BOD		41.0	66.6	64.2	17.4	43.0	27.8			
	COD		94.8	251.3	151.3	59.2	99.7	82.3			
	AOX		11.0	0.0	0.0	0.0	0.0	0.2			
Air emissions[6]	NO_2	mg/Nm³	139.2	206.9	81.5	107.0	142.4	243.3	Discharge via Indah Kiat Perawang		
	SO_2		57.6	71.9	65.1	34.3	45.5	85.4			
	ClO_2		7.2	0.7	0.2	N/A	N/A	N/A			
	HCl		0.1	0.1	0.1	0.3	0.3	0.4			
	Cl_2		3.3	0.6	0.1	0.0	0.3	0.2			
	Opacity		15.1	16.7	13.4	13.9	< 10	12.0			
	TRS		13.3	2.4	1.5	< 10	0.0	0.0			
	Total Particulate		112.4	120.0	70.4	7.8	14.2	10.0			
Others	Distance to protected area	km	Bukit Tigapuluh National Park (30)			Nature Reserve of Tangkuban Perahu Mountain (40)			Tesso Nilo National Park (50)		
	Local water source		Pengabuan River			Citarum River			Siak River		

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

			Univenus Perawang			Tjiwi Kimia			Ekamas Fortuna		
			2015	2014	2013	2015	2014	2013	2015	2014	2013
Water emissions	pH	mg/l	Discharge via Indah Kiat Perawang			7.3	7.3	7.5	7.6	7.5	7.8
	TSS					10.2	8.6	22.2	19.0	20.9	17.7
	BOD					15.6	19.2	25.0	19.5	14.4	16.4
	COD					38.5	47.2	61.9	59.1	81.8	49.0
	AOX					0.0	0.0	0.2	N/A	N/A	N/A
Air emissions[6]	NO_2	mg/Nm³	Discharge via Indah Kiat Perawang			38.7	232.0	53.1	42.8	28.0	79.3
	SO_2					65.1	128.0	103.4	210.5	330.6	428.3
	ClO_2					N/A	N/A	N/A	N/A	N/A	N/A
	HCl					2.8	1.2	1.4	N/A	N/A	N/A
	Cl_2					2.4	0.0	<0.9	N/A	N/A	N/A
	Opacity					< 10	3.0	4.4	1.6	1.6	3.0
	TRS					0.0	0.0	0.0	0.0	0.0	0.0
	Total Particulate					19.9	178.0	18.6	82.2	24.5	87.7
Others	Distance to protected area	km	Tesso Nilo National Park (50)			Bromo Tengger Semeru National Park (80)			Pulau Sempu Nature Reserve (30)		
	Local water source		Siak River			Brantas River			Lesti River		

MILL SOCIAL DATA TABLE

			Indah Kiat Perawang						Indah Kiat Serang					
			Male			Female			Male			Female		
			<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Employee	New employee	#	808	49	14	7	-	-	183	19	0	18	5	0
	Rate of new employee	%	37.5	0.8	2.5	10.6	-	-	9.5	0.6	0	21.7	2.5	0
	Employee turnover	#	399	315	93	9	20	3	263	151	32	15	18	3
	Rate of employee turnover	%	18.5	5.5	16.9	13.6	3.2	13.0	13.6	5.1	17.3	18.1	9.0	37.5
	Fatality	#	1			0			1			0		
	Frequency rate[7]		22.8			3.5			0.5			0.0		
	Severity rate[7]		303.9			4.6			606.7			0.0		
Health & Safety	Injury rate[8]		4.6			0.7			0.1			0.0		
	Occupational disease rate		0.0			0.0			0.0			0.0		
	Lost day rate		60.8			0.9			121.3			0.0		
	Absenteeism rate	%	0.11						0.03					

			Indah Kiat Tangerang						Lontar Papyrus					
			Male			Female			Male			Female		
			<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Employee	New employee	#	38	10	1	10	1	0	49	0	0	4	0	0
	Rate of new employee	%	13.0	1.7	1.8	13.2	0.6	0	6.7	0	0	11.1	0	0
	Employee turnover	#	23	19	17	8	10	1	8	112	16	1	2	0
	Rate of employee turnover	%	7.8	3.2	29.8	10.5	6.3	12.5	11.2	8.4	29.6	2.8	4.7	0
	Fatality	#	0			0			1			0		
	Frequency rate[7]		17.1			2.0			10.0			7.1		
	Severity rate[7]		85.7			4.1			1812.1			14.2		
Health & Safety	Injury rate[8]		3.4			0.4			2.0			1.4		
	Occupational disease rate		0.0			0.0			0.0			0.0		
	Lost day rate		17.1			0.8			362.4			2.8		
	Absenteeism rate		0.03						0.06					

[7] Frequency rate & Severity rate are calculated based on Government of Indonesia's regulation (Kep 84 BW Year 1998)
   Frequency rate = (number of accidents x 1,000,000)/manhours
   Severity rate = (number of lost days x 1,000,000)/manhours

[8] Injury rate is calculated based on OSHA's regulation
   Injury rate = (number of injury x 200,000)/manhours
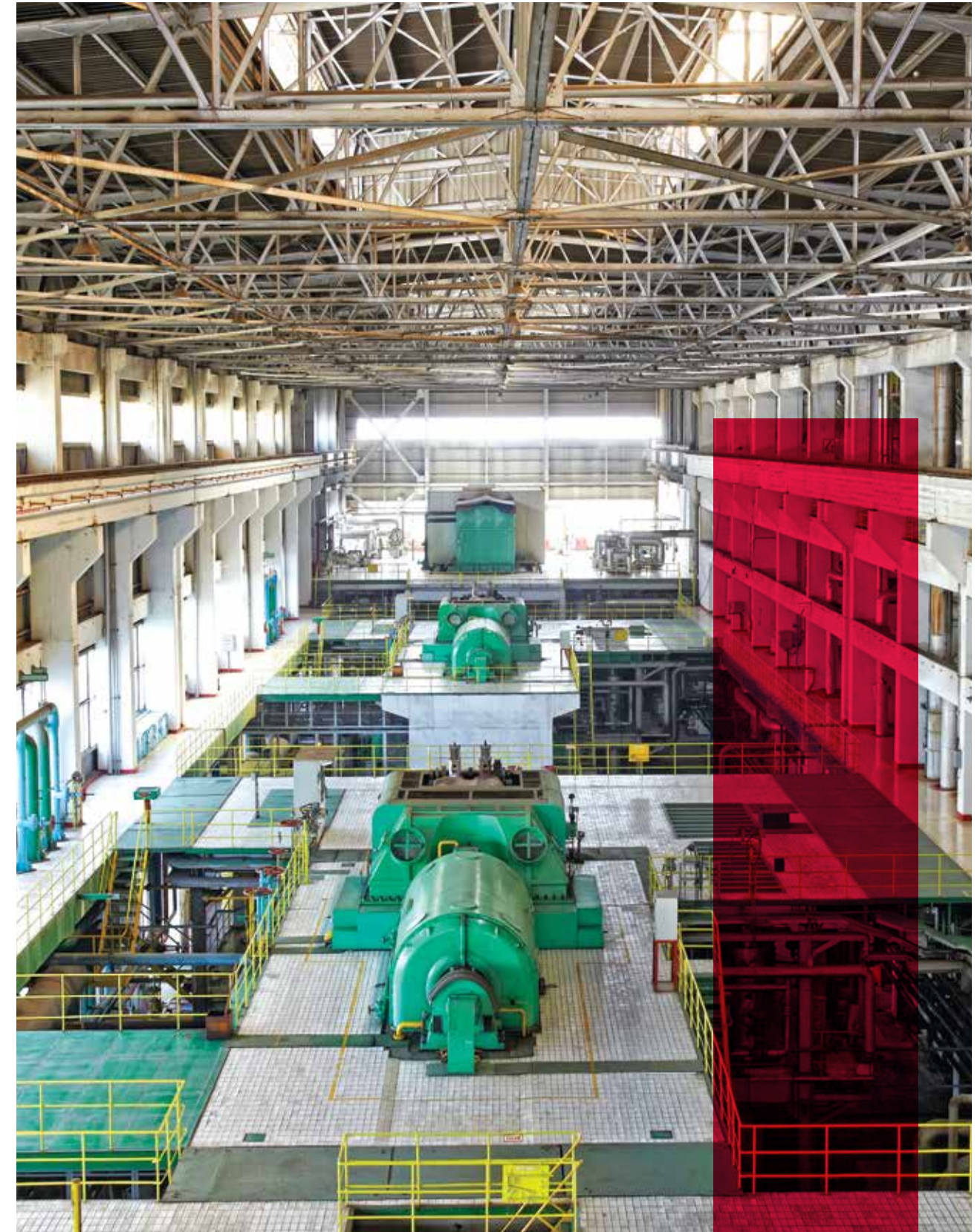
			Pindo Deli Karawang						Pindo Deli Perawang					
			Male			Female			Male			Female		
			<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Employee	New employee	#	66	32	1	24	1	0	131	11	2	8	1	0
	Rate of new employee	%	15.8	0.7	0.3	28.6	0.3	0	11.8	1.1	6.3	28.6	3.7	0
	Employee turnover	#	36	175	74	12	45	4	92	36	4	4	1	0
	Rate of employee turnover	%	8.6	3.8	20.6	14.3	11.5	30.8	8.3	3.7	12.5	14.3	3.7	0
	Fatality	#	0			0			1			0		
	Frequency rate[7]		8.7			2.1			20.2			0.0		
	Severity rate[7]		2.6			0.0			127.9			0.0		
Health & Safety	Injury rate[8]		1.7			0.4			4.0			0.0		
	Occupational disease rate		0.0			0.0			0.0			0.0		
	Lost day rate		0.5			0.0			25.6			0.0		
	Absenteeism rate	%	0.04						0.59					

			Univenus Perawang						Tjiwi Kimia					
			Male			Female			Male			Female		
			<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Employee	New employee		0	0	0	0	0	0	127	37	1	16	0	0
	Rate of new employee		0	0	0	0	0	0	39.0	0.5	0.2	21.3	0	0
	Employee turnover		1	2	0	0	0	0	39	179	164	16	41	21
	Rate of employee turnover		10.0	5.6	0	0	0	0	12.0	2.4	28.8	21.3	1.5	22.1
	Fatality		0			0			1			0		
	Frequency rate[7]		7.4			0.0			18.8			8.1		
	Severity rate[7]		7.4			0.0			611.2			94.5		
Health & Safety	Injury rate[8]		1.5			0.0			3.8			1.6		
	Occupational disease rate		0.0			0.0			0.0			0.0		
	Lost day rate		1.5			0.0			122.2			18.9		
	Absenteeism rate		0.08						0.01					

		Ekamas Fortuna					
		Male			Female		
		<30	30-50	>50	<30	30-50	>50
Employee	New employee	4	10	3	1	0	0
	Rate of new employee	1.9	1.9	2.5	5.6	0	0
	Employee turnover	2	14	20	1	2	1
	Rate of employee turnover	0.9	0.6	16.8	5.6	6.1	100.0
	Fatality	0			0		
	Frequency rate[7]	8.0			0.0		
	Severity rate[7]	49.7			0.0		
Health & Safety	Injury rate[8]	1.6			0.0		
	Occupational disease rate	0.0			0.0		
	Lost day rate	9.9			1.3		
	Absenteeism rate	0.15					

[7] Frequency rate & Severity rate are calculated based on Government of Indonesia's regulation (Kep 84 BW Year 1998)
Frequency rate = (number of accidents x 1,000,000)/manhours
Severity rate = (number of lost days x 1,000,000)/manhours

[8] Injury rate is calculated based on OSHA's regulation
Injury rate = (number of injury x 200,000)/manhours

ASSURANCE STATEMENT

SGS REPORT ON SUSTAINABILITY ACTIVITIES IN THE APP INDONESIA SUSTAINABILITY REPORT 2015

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Indonesia was commissioned by Asia Pulp & Paper Indonesia ('APP Indonesia') to conduct independent assurance of the APP Indonesia Sustainability Report 2015 issued in August 2016 ('the Report').

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

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

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

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines G4 (2013) and the AA1000 Assurance Standard (2008). These protocols allow for different options for assurance depending on the reporting history and capabilities of the Reporting Organization. The Report has been assured at a moderate level of scrutiny using SGS protocols for :

- evaluation of the veracity of report content;
- a Type 2 evaluation of report content and supporting management systems against the AA1000 Accountability Principles (2008) using the AA1000 Assurance Standard (2008). The specified data included the environmental and social performance of APP Indonesia's mills
- report evaluation against the Global Reporting Initiative Sustainability Reporting Guidelines G4 (2013).

The assurance comprised a combination of pre-assurance research, interviews with relevant accountable managers and employees at APP Indonesia's headquarters in Jakarta, and visits to three operating facilities: PT Ekamas Fortuna in Malang, PT Lontar Papyrus in Jambi and PT. Pindo Deli in

Perawang. In addition the assurance team carried out a review of supporting documents and records. The following external bodies and stakeholders were also interviewed:

- Community beneficiaries of PT Pindo Deli Perawang's CSR programme in Riau.
- NGOs and issue experts including The Forest Trust, Habitat for Humanity, Yapeka and Indonesia Global Compact Network.

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

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; and environmental, social and sustainability report assurance. SGS Indonesia affirms

its independence from APP Indonesia, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

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

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the Report is reliable and provides a fair and balanced representation of APP Indonesia's sustainability activities in 2015.

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

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS FINDINGS AND RECOMMENDATIONS

Materiality

In line with the G4 GRI framework, APP Indonesia has considerably developed the materiality process on which its sustainability report is based. The report covers the most significant issues facing APP Indonesia, including:

- The protection of biodiverse forested areas
- The interests of communities affected by APP Indonesia's plantations
- Water impacts.

In doing so, APP Indonesia takes responsibility not only for its direct impacts but also the most significant of its suppliers. The report also covers APP Indonesia's direct impacts such as employee conditions and the environmental performance of its paper and pulp mills.

Stakeholder Inclusiveness

Stakeholders have been involved in the expanded materiality process, which is commendable. However the selection of stakeholders to be involved should be approached more systematically in future years.

In general, the inclusion of stakeholders both local and international within the governance of sustainability is extensively integrated through the Forest Conservation Policy process. This includes working with NGOs and with local communities to resolve conflicting interests over land between different groups and the reconciliation of community needs with those of APP Indonesia's business.
A wide range of stakeholders is actively consulted in the course of business – this is very good practice. Nevertheless, there are some key stakeholders that do not receive sufficient coverage in the report. This group includes customers and government.

Sustainability Context

While APP Indonesia 's approach to sustainability is in general commendable, the reporting of its performance should be set against global boundaries. In particular, the scale of its impact on forests, including the significance of the 500 villages selected for the agroforestry initiative should be set against the size of its overall concessions and the extent of Indonesia's forests.

Completeness

The report provides a comprehensive account of APP Indonesia's approach to and performance against its Forest Conservation Policy and other material areas. This includes its suppliers' performance. Significant issues covered include employee relationships and direct environmental performance. The relationship between the APP brand and the companies that are covered by the report is not very clear.

Balance

The report presents a balanced view of APP's impacts. This includes both the positive attainments (such as zero deforestation) and negative impacts, such as adverse environmental performance and conflicts over land rights. Further detail should be presented on performance against stakeholder sub-groups such as minority groups of employees.

Comparability

The report is comparable to previous years' reports, however more analysis and explanation of trends over time is needed. There is very little benchmarking information in the report.

Accuracy

Report drafts had only minor problems relating to the accuracy of data. APP Indonesia has introduced a new online database for the collection of mill data. This has improved the accuracy (and reliability) of data.

Timeliness

The report contains timely information in relation to the period reported on.

Clarity

The report was clearly written. However it is only available in the English language, which may not be accessible to many local stakeholders.

Reliability

The information in the report appears to be reliable. The data has been externally verified. This included visits to three sites that were not the same as those visited for assurance purposes last year. However, indicator protocols have still not been documented. This means that it was not always possible to confirm that GRI protocols were actually followed.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES G4 (2013) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, the APP Indonesia Sustainability Report 2015 is presented in accordance with the Core option for GRI G4 and fulfills all the required content and quality criteria.

Principles: In our opinion the content and quality of the Report has been produced in line with the ten GRI Principles.

General Standard Disclosures: All the standard disclosures required for reporting in accordance with the core option for GRI G4 are included or referenced in the report.

Specific Standard Disclosures : Disclosure Management Approach (DMA) for each materiality aspects and at least one indicator have been disclosed in the report in accordance with the core option for GRI G4.

Recommendations

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

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

1. Future report should explain how APP Indonesia's approach to sustainability relates to its business strategy.
2. Future reports should provide more detail on a wider range of stakeholders, even if some stakeholders are covered in more detail than others.
3. Future materiality exercises should be more carefully planned to ensure that the selection of stakeholders will provide a balanced contribution to the identification of material issues.
4. Future reports should enable the reader to understand the issues facing a wider range of stakeholders, including customers and government.
5. Future reports need to provide the context for APP performance. This should include: in addition to a statement of performance in relation to APP's own targets, a description of APP performance in relation to global sustainability limits and challenges – for example in relation to carbon and biodiverse forested areas.
6. The accessibility of the report for local stakeholder groups should be considered.
7. The reporting process in future years should ensure that the protocols used to evaluate indicators are documented and their alignment to GRI protocols is clear.

Signed:
For and on behalf of PT SGS Indonesia

Guy Escarfail
Managing Director
August 2016

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GRI AND
UNGC INDEXES

SECTION

10

GRI INDEX

Reference	GRI G4 Indicator	Section (page)	Notes
	GENERAL STANDARD DISCLOSURES		
	STRATEGY AND ANALYSIS		
G4-1	Statement from the CEO	Chairman's Statement (4)	
G4-2	Description of key impacts, risks, and opportunities	Sustainability Management (18)	
	ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	About this Report (62)	
G4-4	Primary brands, products, and services	Company Profile (10)	
G4-5	Location of headquarters	Company Profile (13)	APP Mills map Indonesia only
G4-6	Countries in which operations are located	Company Profile (13)	
G4-7	Nature of ownership and legal form	About this Report (62)	
G4-8	Markets served	Company Profile (9)	
G4-9	Scale of the reporting organization	Company Profile (9)	Infographics (2015 at a Glance & Financial Performance)
G4-10	Breakdown of workforce	Employee Welfare (47-48)	
G4-11	Coverage of collective bargaining agreements	Employee Welfare (49)	All APP employees are covered by collective bargaining agreements.
G4-12	Description of supply chain	Company Profile (36), About this Report (62)	
G4-13	Significant changes during the reporting period	About this Report (62)	None in reporting period
G4-14	Addressing the precautionary approach or principle	Mill Environmental Performance (25)	
G4-15	External charters, principles or initiatives endorsed	Sustainability Management (18), Company Profile (12)	
G4-16	Memberships in associations	Sustainability Management (18)	
	IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Report coverage of the entities in the consolidated financial statements	About this Report (62)	Annual Reports of Indah Kiat & Tjiwi Kimia available online
G4-18	Process for defining the report content and the aspect boundaries	About this Report (63), Sustainability Management (18)	
G4-19	Material aspects identified	Sustainability Management (22)	
G4-20	Aspect boundary within the organisation	About this Report (63)	
G4-21	Aspect boundary outside the organisation	About this Report (63)	
G4-22	The effect of restatements of information provided in previous reports	Data tables (65)	Footnotes below the data tables
G4-23	"Significant changes in the scope and aspect boundaries from previous report"	GRI table	None expected
	STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged	Sustainability Management (18)	
G4-25	Identification and selection of stakeholders	Sustainability Management (18)	
G4-26	Approaches to stakeholder engagement	Sustainability Management (18)	
G4-27	Response to key topics and concerns raised	Sustainability Management (18)	
	REPORT PROFILE		
G4-28	Reporting period	About this Report (62)	
G4-29	Date of most recent previous report	About this Report (61)	
G4-30	Reporting cycle	About this Report (61)	
G4-31	Contact point for questions	About this Report (63)	
G4-32	'In accordance' option, the GRI content index and external assurance	Inner cover, GRI table (76)	
G4-33	Policy and current practice regarding external assurance	About this Report (63)	

Reference	GRI G4 Indicator	Section (page)	Notes
	GOVERNANCE		
G4-34	Governance structure	Sustainability Management (19)	
G4-35	The process for delegating authority for sustainability topics	Sustainability Management (19)	
G4-36	Executive-level positions with responsibility for sustainability topics	Sustainability Management (19)	
G4-37	Processes for consultation between stakeholders and the highest governance body	Sustainability Management (19)	
G4-38	Composition of the highest governance body and its committees	Sustainability Management (19)	Also available in Annual Reports
G4-39	Position of the chair of the board of directors	Sustainability Management (19)	Organisational diagram
G4-40	Nomination and selection processes for the highest governance body and its committees	Sustainability Management (19)	Nomination of BoC
G4-41	Avoiding conflicts of interest	Sustainability Management (21)	BCoC also applies to all board members
G4-42	The role of the highest governance body and senior executives in setting purpose, values and strategy	Sustainability Management (19)	
G4-44	Evaluating board performance with respects to sustainability topics	Sustainability Management (19)	
G4-46	The role of Board of Directors in reviewing the risk management processes for economic, environmental and social topics	Sustainability Management (19)	
G4-49	"Process for communicating critical concerns to the highest governance body"	Sustainability Management (19)	
	ETHICS AND INTEGRITY		
G4-56	Values, principles, standards, code of conduct and code of ethics	Sustainability Management (21)	
G4-57	"Mechanisms for finding advice on ethical and lawful behavior, and matters related to organizational integrity"	Sustainability Management (21)	
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Sustainability Management (21)	

Reference	GRI G4 Indicator	Section (page)	Notes	APP's operations	APP's supply chain	APP's customers
	ECONOMIC					
	Economic performance					
G4-EC1	Direct economic value generated and distributed	Company Profile (9)	Infographic	✓	✓	
G4-EC2	Financial implications and other risks and opportunities due to climate change	Chairman's Statement (6), Sustainable Fibre Sourcing (18)		✓	✓	
G4-EC3	Coverage of defined benefit plan obligations	GRI table	Annual Reports	✓		
G4-EC4	Financial assistance from government	GRI table	No financial assistance received from the government	✓		
	Market presence					
G4-EC5	Ratios of standard entry level wage by gender compared to minimum wage	Employee Welfare (49)		✓		
G4-EC6	Proportion of senior management hired from the local community	Employee Welfare (49)		✓		
	Indirect economic impacts					
G4-EC7	Development and impact of infrastructure investments and services supported	Community (55-59)	Multiple references throughout the report	✓	✓	
G4-EC8	Significant indirect economic impacts	Community (55-59)		✓	✓	
G4-EC9	Proportion of spending on local suppliers	GRI table	71%	✓	✓	
	ENVIRONMENT					
	Specific information on management approach to environment					
	Materials					
G4-EN1	Materials used by weight or volume	Data table (65)		✓		
G4-EN2	Recycled materials used	Data table (65)		✓		
	Energy					
	Specific information on management approach to energy					
G4-EN3	Energy consumption within the organisation	Data table (65)		✓		
G4-EN4	Energy consumption outside of the organisation	Mill Environmental Performance (30)		✓		
G4-EN5	Energy intensity	Data table (65)		✓		
G4-EN6	Reduction of energy consumption	Data table (65)		✓		
	Water					
G4-EN8	Total water withdrawal	Mill Environmental Performance (31), Data table (65)		✓		
G4-EN9	Water sources significantly affected by withdrawal of water	Data table (66-67)		✓		
G4-EN10	Total recycling and reuse of water	Mill Environmental Performance (31), Data table (65)		✓		
	Biodiversity					
	Specific information on management approach to biodiversity					
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Sustainable Fibre Sourcing (38, 40, 44)			✓	
G4-EN12	Significant impacts of biodiversity	Sustainable Fibre Sourcing (38)		✓	✓	
G4-EN13	Habitats protected or restored	Sustainable Fibre Sourcing (42)		✓	✓	

Reference	GRI G4 Indicator	Section (page)	Notes	APP's operations	APP's supply chain	APP's customers
	Emissions					
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Mill Environmental Performance (29), Data table (65)		✓		
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Mill Environmental Performance (29), Data table (65)		✓		
G4-EN18	Greenhouse gas (GHG) emissions intensity	Mill Environmental Performance (29), Data table (65)		✓		
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Mill Environmental Performance (29), Data table (65)		✓		
G4-EN20	Emissions of ozone-depleting substances (ODS)	Data table (65)		✓		
G4-EN21	NOx, SOx, and other significant air emissions	Data table (66-67)		✓		
	Effluents and waste					
G4-EN22	Total water discharge by quality and destination	Data table (65)		✓		
G4-EN23	Total weight of waste by type and disposal method	Data table (65)		✓		
G4-EN24	Total number and volume of significant spills	Mill Environmental Performance (26)	None in reporting period	✓		
G4-EN26	Water bodies and related habitats significantly affected by water discharges and runoff	Data table (66)		✓		
	Products and services					
	Specific information on management approach to products and services					
G4-EN27	Mitigation of environmental impacts of products and services	Sustainability Management, Mill Environmental Performance, Sustainable Fibre Sourcing		✓	✓	
	Overall					
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	GRI table	None in reporting period	✓		
G4-EN31	Environmental expenditures and investments	Data table (65)		✓		
	Supplier environmental assessment					
	Specific information on management approach to supplier assessment					
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain	Sustainability Management, Mill Environmental Performance, Sustainable Fibre Sourcing				
	Environmental grievance mechanisms					
G4-EN34	Grievances about environmental impacts through formal grievance mechanisms	GRI table	fcpmonitoring.com			
	LABOR PRACTICES AND DECENT WORK					
	Specific information on management approach to Labor Practices and Decent Work					
G4-LA1	New employee hires and employee turnover	Employee Welfare (53)		✓		

Reference	GRI G4 Indicator	Section (page)	Notes	Indicator boundary		
				APP's operations	APP's supply chain	APP's customers
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	Employee Welfare (53)		✓		
	Labor/management relations					
G4-LA4	Minimum notice periods regarding operational changes	GRI table	In the event of operational changes, APP allows a minimum of seven days' notice, as per Government of Indonesia regulation.	✓		
	Occupational Health and Safety (OHS)					
	Specific information on management approach to OHS					
G4-LA5	Percentage of workforce represented in formal joint management–worker health and safety committees	Employee Welfare (52)		✓		
G4-LA6	Injuries, occupational diseases, lost days, absenteeism and fatalities	Employee Welfare (50)		✓		
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Employee Welfare (52)		✓		
	Training and education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employee Welfare (53)		✓		
G4-LA10	"Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings"	Employee Welfare (53)		✓		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Employee Welfare		✓		
	Diversity and equal opportunity					
G4-LA12	Composition of governance bodies and employee breakdown	Sustainability Management	Also refer to Annual Reports for details of BoC and BoD	✓		
	Equal remuneration for women and men					
G4-LA13	Ratio of basic salary and remuneration of women to men	Employee Welfare (49)		✓		
	Supplier Assessment for Labor Practices					
	Specific information on management approach to supplier assessment					
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Sustainable Fibre Sourcing (38-39)			✓	
	Labor practices grievance mechanisms					
G4-LA16	Grievances about labor practices through Formal grievance mechanisms	Sustainable Fibre Sourcing	fcpmonitoring.com			
	HUMAN RIGHTS					
	Specific information on management approach to human rights					

Reference	GRI G4 Indicator	Section (page)	Notes	Indicator boundary		
				APP's operations	APP's supply chain	APP's customers
G4-HR1	Human rights screening or clauses included in significant investment agreements	GRI table	APP defines a significant investment as one that requires the mill to update their Environmental Impact Assessment (AMDAL). Based on this definition there have been no significant investments to current mills in 2015. Our investment in OKI mill, which we expect to be operational by 2018 is explained on page 59.		✓	
G4-HR2	Employee training on human rights	Employee Welfare	Policies and procedures concerning aspects of human rights are socialized to the employees through induction training		✓	
	Discrimination					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Employee Welfare (49)		✓		
	Freedom of association and collective bargaining					
G4-HR4	Supporting right to freedom of association and collective bargaining in risk areas	Employee Welfare (49)		✓		
	Child labor					
G4-HR5	Measures taken to eliminate child labor in risk areas	GRI table	None identified in company wide human rights risk assesment	✓	✓	
	Forced and compulsory labor					
G4-HR5	Measures taken to eliminate forced or compulsory labor in risk areas	GRI table	None identified in company wide human rights risk assesment	✓	✓	
	Security practices					
G4-HR7	Percentage of security personnel trained in human rights policies or procedures	Sustainable Fibre Sourcing (39)	Policies and procedures concerning aspects of human rights are socialized through induction training. Details are included due to incident that occurred in 2015. See Responsible Conflict Resolution and associated link to detail of security incident and APP's response.	✓	✓	
	Indigenous rights					
G4-HR8	Violations of indigenous peoples' rights and actions taken	Sustainable Fibre Sourcing (39)	Case by case details are available at FCP Monitoring Dashboard (fcpmonitoring.com)		✓	
	Assessment					
G4-HR9	Operations subject to human rights reviews or impact assessments	GRI table	Group wide assesment carried out in 2014		✓	

Reference	GRI G4 Indicator	Section (page)	Notes	Indicator boundary		
				APP's operations	APP's supply chain	APP's customers
	Supplier human rights assessment					
	Specific information on management approach to supplier assessment					
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain	Sustainable Fibre Sourcing (37)	Our greatest risks relating to human rights lie within our supply chain, particularly our pulpwood suppliers. Our template of service agreement, which is used during our vendor selection process, has been revised to include human rights compliance.		✓	
	Human rights grievance mechanisms					
G4-HR12	Grievances about human rights through formal grievance mechanisms	Sustainable Fibre Sourcing (39)	Case by case details are available at FCP Monitoring Dashboard (fcpmonitoring.com)			
	SOCIETY					
	Local communities					
	Specific information on management approach to local communities					
G4-SO1	Local community engagement, impact assessments, and development programs	Community (55-59)		✓	✓	
G4-SO2	Operations with significant negative impacts on local communities	Community (56)	Social Impact Assessment conducted in 5 mills in 2015	✓	✓	
	Anti-corruption					
	Specific information on management approach to anti-corruption					
G4-SO3	Operations assessed for risks related to corruption	GRI table	Company wide risk assesment carried out in 2013	✓	✓	
G4-SO4	Anti-corruption training	Sustainability Management (21)	All employees receive anti corruption training as part of their induction training.	✓		
G4-SO5	Actions taken in response to corruption incidents	Sustainability Management (21)	Ethics Call Centre incidents	✓		
	Public policy					
G4-SO6	Political contributions	GRI table	None in reporting period	✓		
	Anti-competitive behavior					
G4-SO7	Anti-trust and monopoly court cases	GRI table	None in reporting period	✓		
	Compliance					
G4-SO8	Fines and sanctions for non-compliance	GRI table	None in reporting period	✓		
	Supplier assessment for impacts on society					

Reference	GRI G4 Indicator	Section (page)	Notes	Indicator boundary		
				APP's operations	APP's supply chain	APP's customers
	Specific information on management approach to supplier assessment					
G4-SO10	Significant actual and potential negative impacts on society in the supply chain	Sustainable Fibre Sourcing (37), Community (56)				
	Grievance mechanisms for impacts on society					
G4-SO11	Grievances about impacts on society through formal grievance mechanisms	Sustainable Fibre Sourcing	fcpmonitoring.com			
	PRODUCT RESPONSIBILITY					
	Specific information on management approach to product responsibility					
	Customer health and safety					
G4-PR1	Assessment of health and safety impacts of products	Company Profile (11)	Very product specific. Certification provided if required	✓		✓
	Product and service labeling					
G4-PR3	Product information required by procedures	Company Profile (11)	Very product specific. Certification provided if required	✓		✓
G4-PR4	Compliance with regulations and voluntary codes concerning product information	Company Profile (11)	Very product specific. Certification provided if required	✓		
G4-PR5	Results of surveys measuring customer satisfaction	Company Profile (10)		✓		

UNGC INDEXES

		Report section
UNGC Communications on Progress	Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights;	Sustainability Management (20-21) Sustainable Fibre Sourcing (38-39)
	Principle 2 : make sure that they are not complicit in human rights abuses.	Sustainability Management (20-21) Sustainable Fibre Sourcing (38-39)
	Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Employee Welfare (49)
	Principle 4 : the elimination of all forms of forced and compulsory labour;	Sustainability Management (20-21) Sustainable Fibre Sourcing (38-39)
	Principle 5 : the effective abolition of child labour; and	Sustainability Management (20-21) Sustainable Fibre Sourcing (38-39)
	Principle 6 : the elimination of discrimination in respect of employment and occupation	Employee Welfare (49)
	Principle 7 : Businesses should support a precautionary approach to environmental challenges;	Sustainability Management (18)
	Principle 8 : undertake initiatives to promote greater environmental responsibility; and	Mill Environmental Performance (24-33) Sustainable Fibre Sourcing (34-45)
	Principle 9 : encourage the development and diffusion of environmentally friendly technologies.	Mill Environmental Performance (24-33)
	Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery.	Sustainability Management (20-21)

		Report section
UNGC CEO Water Mandate	**Direct Operations** • Conduct a comprehensive water-use assessment to understand the extent to which the company uses water in the direct production of goods and services. • Set targets for our operations related to water conservation and waste-water treatment, framed in a corporate cleaner production and consumption strategy. • Seek to invest in and use new technologies to achieve these goals. • Raise awareness of water sustainability within corporate culture. • Include water sustainability considerations in business decision-making – e.g., facility-siting, due diligence, and production processes	12, 13, 31
	Supply Chain and Watershed Management • Encourage suppliers to improve their water conservation, quality monitoring, waste-water treatment, and recycling practices. • Build capacities to analyze and respond to watershed risk. • Encourage and facilitate suppliers in conducting assessments of water usage and impacts. • Share water sustainability practices – established and emerging – with suppliers. • Encourage major suppliers to report regularly on progress achieved related to goals.	16, 44, 56
	Collective Action • Build closer ties with civil society organizations, especially at the regional and local levels. • Work with national, regional and local governments and public authorities to address water sustainability issues and policies, as well as with relevant international institutions – e.g., the UNEP Global Programme of Action. • Encourage development and use of new technologies, including efficient irrigation methods, new plant varieties, drought resistance, water efficiency and salt tolerance. • Be actively involved in the UN Global Compact's Country Networks. • Support the work of existing water initiatives involving the private sector – e.g., the Global Water Challenge; UNICEF's Water, Environment and Sanitation Program; IFRC Water and Sanitation Program; the World Economic Forum Water Initiative – and collaborate with other relevant UN bodies and intergovernmental organizations – e.g., the World Health Organization, the Organisation for Economic Co-operation and Development, and the World Bank Group.	56 - 59

		Report section
UNGC CEO Water Mandate	**Public Policy** • Contribute inputs and recommendations in the formulation of government regulation and in the creation of market mechanisms in ways that drive the water sustainability agenda. • Exercise "business statesmanship" by being advocates for water sustainability in global and local policy discussions, clearly presenting the role and responsibility of the private sector in supporting integrated water resource management. • Partner with governments, businesses, civil society and other stakeholders – for example specialized institutes such as the Stockholm International Water Institute, UNEP Collaborating Centre on Water and Environment, and UNESCO's Institute for Water Education – to advance the body of knowledge, intelligence and tools. • Join and/or support special policy-oriented bodies and associated frameworks – e.g., UNEP's Water Policy and Strategy; UNDP's Water Governance Programme.	56 - 59
	Community Engagement • Endeavor to understand the water and sanitation challenges in the communities where we operate and how our businesses impact those challenges. • Be active members of the local community, and encourage or provide support to local government, groups and initiatives seeking to advance the water and sanitation agendas. • Undertake water-resource education and awareness campaigns in partnership with local stakeholders. • Work with public authorities and their agents to support – when appropriate – the development of adequate water infrastructure, including water and sanitation delivery systems.	56 - 59
	Transparency • Include a description of actions and investments undertaken in relation to The CEO Water Mandate in our annual Communications on Progress for the UN Global Compact, making reference to relevant performance indicators such as the water indicators found in the Global Reporting Initiative (GRI) Guidelines. • Publish and share our water strategies (including targets and results as well as areas for improvement) in relevant corporate reports, using – where appropriate – the water indicators found in the GRI Guidelines. • Be transparent in dealings and conversations with governments and other public authorities on water issues.	17, 31

GLOSSARY

11
SECTION

Chain of Custody	System of physical and documented traceability of fibre based products, from forest through to final product use
Concession	An area of forest where a commercial arrangement exists between a forest owner and a buyer of harvested wood from within the forest area
FCP	Forest Conservation Policy
FMU	Forest Management Unit; a defined area of forestry under management
FPIC	Free, Prior, Informed Consent
FSC	Forest Stewardship Council
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GSK-BB	Giam Siak Kecil Bukit Batu biosphere reserve
HCS	High Carbon Stock; areas where the land has a high concentration of organic matter above ground
HCV	High Conservation Value Forest; contain biological, ecological, social or cultural values which are considered critically important
IFCC	Indonesian Forestry Certification Cooperation
IFFS	Integrated Forestry and Farming System; also known as DMPA (Desa Makmur Peduli Api)
ISFMP	Integrated Sustainable Forest Management Plan
LBKP	Leaf Bleached Kraft Pulp
LEI	Eco labelling Institute of Indonesia; issues voluntary Sustainable Forest Management and Chain of Custody certification
Peatland	Forests characterised by waterlogged soil, with a thick layer of peat on the surface
PEFC	Programme for the Endorsement of Forest Certification
PHPL	PHPL (Sustainable Production Forest Management); a mandatory Sustainable Forest Management (SFM) system

Plantation fibre	Fibre originating from forests that have been planted for commercial purposes
PPE	Personal Protective Equipment
PROPER	Programme for Pollution Control, Evaluation and Rating; a voluntary initiative launched by Indonesia's Ministry of Environment in 1996
Pulpwood	Wood suitable for processing into pulp for paper manufacture
Recycled	Non virgin fibre, obtained from pre or post-consumer waste
SFM	Sustainable Forest Management; the ongoing management of forest areas according to environmental, social and economic needs
SMK3	Health and Safety Management System
SVLK	SVLK (Timber Legality Verification System); a mandatory verification system enacted in 2009 for wood legality
TSS	Total Suspended Solids; measure of the level of solids in waste water, used to determine quality
WKS	Wira Karya Sakti; one of APP's pulpwood suppliers
Wood free	Paper produced from chemical pulp that is free from wood based impurities, such as lignin that occurs naturally in wood

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