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<http://vimeo.com/user4811621>

External frameworks

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

The assurance statement covering this report content is presented on page 94.

SUSTAINABILITY REPORT

2012

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CHAPTER 1
INTRODUCTION

WELCOME TO OUR FIFTH SUSTAINABILITY REPORT, EXPLAINING ASIA PULP & PAPER (APP) INDONESIA'S SUSTAINABILITY STRATEGY, PROGRESS, ACHIEVEMENTS AND CHALLENGES DURING 2012.

CHAPTER
01

The content and quality of this report is guided by the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines (version 3.1), covering economic, social and environmental impacts and mitigation.

The report has been externally assured to the internationally recognised AA1000(AS) 2008 standard and meets the requirements of GRI Application Level A+, demonstrating the highest level of disclosure. 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.

From the recommendations provided in the 2010/11 Sustainability Report we have strengthened the internal process of data aggregation by developing a common template for collection and collation of all sites' data. Our Vision 2020 Sustainability Roadmap seeks to identify and mitigate risks in supply chain activities and outsourced processes, namely our raw material sourcing, addressing the recommendation from our auditor to take clearer account of these risks in our reporting. The assurance statement covering this report content is presented on page 94.

APP's reporting cycle has moved to an annual cycle to provide a more up to date communication to our stakeholders of our progress and challenges. The 2012 Sustainability Report provides coverage of data and activities in the 2012 calendar year.

REPORT SCOPE AND BOUNDARY

Asia Pulp & Paper (APP) is a brand name under which our products are sold, Purinusa Ekapersada is the brand holder of APP.

The scope of this report covers APP pulp and paper operations in Indonesia, specifically the following pulp operational facilities.

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

The scope of this report has been extended to include Pindo Deli Perawang, a mill that was not included in the 2010/11 Sustainability Report.

In addition to GRI, the report content is also informed by our stakeholder engagement activities and our comprehensive sustainability strategy; Vision 2020. In response to the input of our stakeholders we have included the forest management practices of APP's pulpwood suppliers into the scope of this report due to the level of importance stakeholders place on fibre sources supplied to APP's mills and the level of control and influence APP has on the performance of its suppliers.

Sinar Mas Forestry is the management team that represents APP pulpwood suppliers, currently covering 33 pulpwood suppliers who between them manage 38 concessions (forest areas) across Indonesia.

DEFINING REPORT CONTENT

APP has applied both formal and informal mechanisms to define the content to be included in this report. In 2011 we carried out a survey of 260 stakeholders to determine and prioritise the issues most material to them. To update this exercise we interviewed a range of stakeholders to gain feedback on our 2010/11 sustainability report, specifically questioning whether APP's significant economic, environmental and social impacts had been adequately disclosed.

We are aware that certain stakeholder groups, predominately host communities in our more remote locations, do not have access to the full range of our communication channels, namely our website and sustainability report. We therefore rely on our local CSR management teams at each mill to communicate on issues that are significant in their locality through the relevant channels, and we are confident that these issues are included in this report. We monitor global trends in sustainable development, both within and outside of the forest products sector to ensure that global issues and those more relevant to local stakeholders are reported adequately. For further details on how we determine which issues to report on see the Stakeholder Engagement and Materiality in Our Sustainability Strategy section of this report.

CHAPTER 2
COMPANY PROFILE

ABOUT APP

AS ONE OF THE WORLD'S LARGEST PULP AND PAPER COMPANIES, APP IS RESPONSIBLE FOR DELIVERING QUALITY PRODUCTS TO MEET THE GROWING GLOBAL DEMAND FOR TISSUE, PACKAGING AND PAPER. ON ANY GIVEN DAY, OUR PRODUCTS FIND THEIR WAY INTO THE HANDS OF CONSUMERS IN VARIOUS BRANDED FORMS ALL OVER THE WORLD.

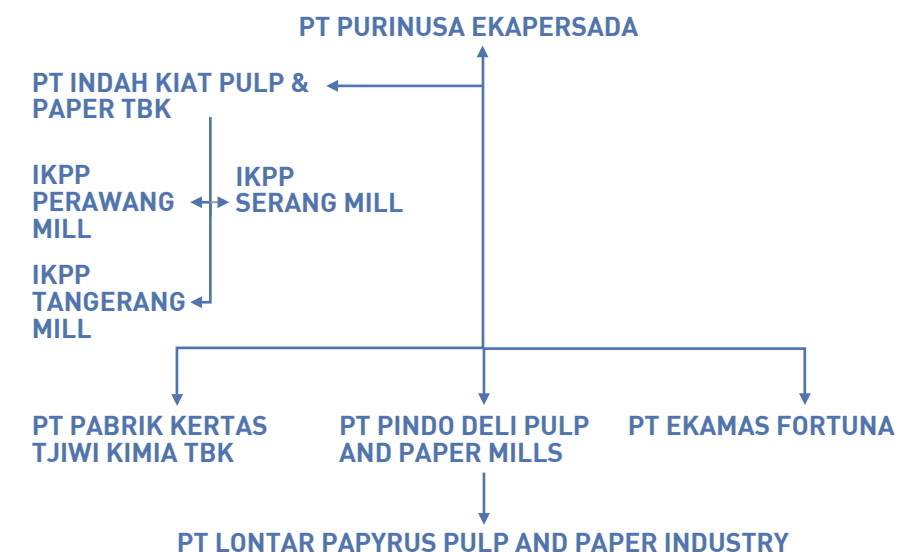


CHAPTER
02

The group was founded in 1972 with one paper mill in East Java. 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, and at the same time we are eager to embrace the modern values of innovation and efficiency.

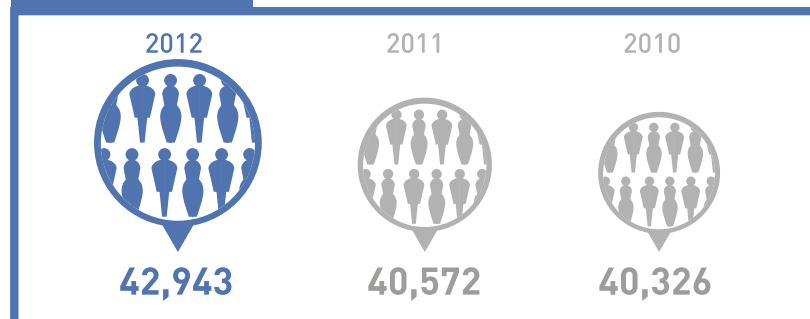
COMPANY PROFILE

RELATIONSHIP OF LEGAL ENTITIES THAT MAKE UP APP INDONESIA

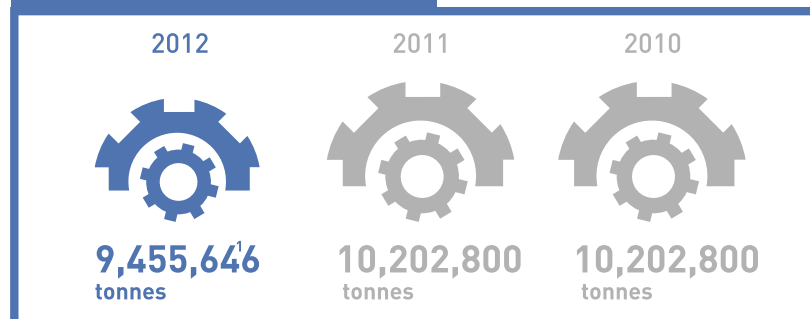


2012 AT A GLANCE

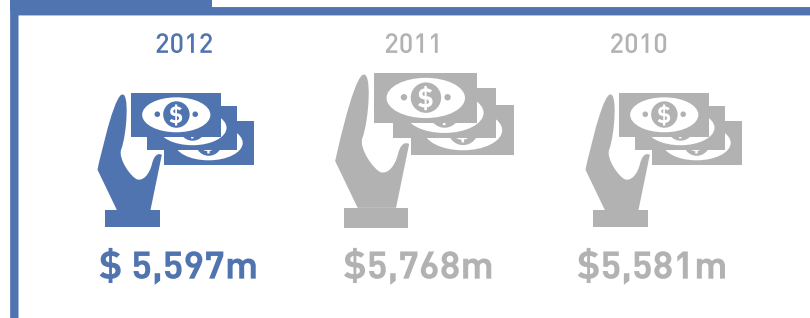
EMPLOYEES



PRODUCTION CAPACITY ¹



REVENUE



¹ Methodology for calculating production capacity in 2012 now aligns with our Annual Report. The difference between 2012 and previous years does not represent a change in capacity, but a different methodology to calculate the theoretical value

OUR PRODUCTS

In 2012 our mills generated a total of \$5,597 million in sales revenue, producing 8,336,057 tonnes of pulp and paper products, a decrease of 3% and 17% respectively from 2011, mainly as a result of the dampened global economic climate reducing global demand for paper products.

COATED PAPER
Premium magazines and packaging



UNCOATED PAPER
Books, catalogues



INDUSTRIAL PACKAGING
Carton packaging



OFFICE PRODUCTS
Copier paper



TISSUE
Hygiene products



SPECIALITY
Receipts, stickers



STATIONARY
Notepads, envelopes



PUBLISHING
Encyclopaedia, dictionaries



SERVICE
Shopping bags, food boxes



We serve markets in over 120 countries, including North America, Japan, Australia and countries in Europe. We sell our products through both our own sales offices and sales agents across the globe. Our customers include multinational companies through to paper merchants and smaller, bespoke converters, printers and publishers.

OUR MILLS

1.
Mill:
INDAH KIAT PERAWANG
Employees: 10,019
Production capacity: 3,330,000 tonnes
Production lines: 4 pulp lines, 8 paper machines
Key products: Leaf bleached kraft pulp (LBKP), wood free printing, writing, copier and coated papers

Indah Kiat Perawang is an integrated pulp and paper mill located in a rural region of Riau Province, Sumatra. The mill produces 2,411,840 tonnes of pulp a year, approximately 25% of which is used on-site in the production of other paper goods, with the remainder supplied to other APP mills. Renewable energy sources currently comprise 64% of the mill's energy consumption. Due to the remote location of the mill it also produces most of the chemicals it requires for production on site.

2.
Mill:
LONTAR PAPYRUS
Employees: 2,972
Production capacity: 1,081,000 tonnes
Production lines: 2 pulp lines, 6 tissue machines
Key products: LBKP and tissue

Lontar Papyrus is an integrated pulp and paper mill that predominantly produces pulp which is supplied to other APP mills. The mill also has six tissue machines that produce jumbo rolls, which are converted by other production units into finished products. Renewable energy sources make up 72% of the mill's fuel sources, mainly from the use of black liquor which is recovered from the pulp production process.

3.
Mill:
PINDO DELI PERAWANG
Employees: 1,947
Production capacity: 413,000 tonnes
Production lines: 15 paper machines
Key products: tissue.

Located in the remote region of Riau Province, Pindo Deli Perawang has 15 paper machines, including a new converting machine installed in 2012 to increase production, and it focuses on the production of jumbo roll to the paper converting market.

4.
Mill:
INDAH KIAT TANGERANG
Employees: 1,188
Production capacity: 108,000 tonnes
Production lines: 3 paper machines
Key products: coloured printing, writing and copier, computer and duplicator paper

Specialising in the production of coloured paper, Indah Kiat Tangerang is now one the largest producers of coloured paper in the world. 85% of the mill's production is exported to global markets. The mill uses both purchased pulp and post-consumer waste as the raw material for its products.

5.
Mill:
TJIWI KIMIA
Employees: 11,957
Production capacity: 1,677,000 tonnes
Production lines: 12 paper machines
Key products: printing, writing, copier, carbon-less, exercise books, writing pads, envelopes, computer forms, gift wrapping paper and shopping bags

Equipped with 12 paper machines and over 100 converting units the mill produces a diverse range of value added products for sale across the world. The mill has a significant printing capacity, producing books and calendars in addition to a wide range of stationary and recycled products.

6.
Mill:
INDAH KIAT SERANG
Employees: 5,641
Production capacity: 1,570,000 tonnes
Production lines: 6 paper machines
Key products: coated boxboards, test linerboards, corrugating medium, corrugated cartons

Located 60km west of Jakarta, Indah Kiat Serang sources 88% of its raw material from post-consumer waste, and supplies products to a global client base, but largely focusing on markets within the Asia Pacific region. On site converting operations convert the mill's packaging paper grades into boxes ready for sale to end users. In 2012 a biomass boiler was installed, using waste from the anaerobic waste water treatment plant as a fuel.

7.
Mill:
PINDO DELI KARAWANG (MILL 1 & 2)
Employees: 6,649
Production capacity: 1,081,000 tonnes
Production lines: 10 paper machines, 2 tissue machines
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

Pindo Deli Karawang Mills is a group of two mills that produce paper from purchased pulp largely for the export market. The mills produce a wide range of products, including paper, tissue and packaging products. An extensive list of product specific certifications support the range of products sold such as ISO 22000 for food hygiene and ISO 9706 for permanent acid free papers suitable for archiving purposes.

8.
Mill:
EKAMAS FORTUNA
Employees: 757
Production capacity: 185,000 tonnes
Production lines: 2 paper machines
Key products: corrugated medium, wrapping papers, chipboard, kraft liner, paper core, paper tube and heavy board

Specialising in the utilisation of waste paper as the main raw material, the mill produces corrugated and kraft liner board grades, the majority of which is used as layers in container board and carton boxes which are exported to more than 10 countries across the globe.

2012 IN NUMBERS² (\$ 000)



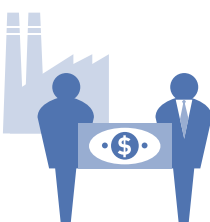
REVENUE
5,597,404



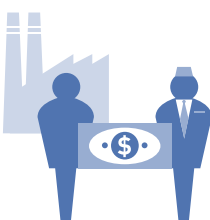
OPERATING
COSTS
4,725,901



WAGES
AND
BENEFITS
315,078



PAYMENTS
TO
CAPITAL
PROVIDERS
233,305



PAYMENTS TO
GOVERNMENT
45,896



COMMUNITY
INVESTMENTS
959

AWARDS

PINDO DELI MILLS, LONTAR PAPYRUS, INDAH KIAT

The Green Industry Award, issued by the Ministry of Industry is awarded to companies that have contributed to the wider community and participate to preserve the environment through the efficient utilisation of resources and application of green production processes.

PINDO DELI KARAWANG, INDAH KIAT

Primaniyarta is an award from the Ministry of Trade for Indonesian exporters in order to recognise their contribution in generating export value for the Indonesian economy.

INDAH KIAT SERANG

Recognising innovative companies that succeed in building better communities through economic, environmental and social development.

TJIWI KIMIA

Awarded to recognise companies that have contributed the most towards accelerating the achievements of MDG in Indonesia.

TJIWI KIMIA

Awarded in recognition of the mill's HIV/AIDS care programme which includes a drugs task force to raise awareness of HIV/AIDS amongst employees, contractors and business partners, as well as training and education for college and school students.



MEMBERSHIPS AND ASSOCIATIONS

APP's memberships and associations provide us with a platform to contribute to the development of regional and national regulations and to influence reform within the pulp and paper industry by providing technical inputs relevant to sustainability.

All of our mills have committed to the UN CEO Water Mandate, and APP has been elected as the Chair of the Indonesian Water Mandate Working Group, which comprises representatives from the private sector, civil society and academics. Together, we encourage Indonesian companies to adopt sustainable water management principles and work collaboratively to address Indonesia's pressing water challenges.

Furthermore, Ms Aida Greenbury, APP Managing Director for Sustainability and Stakeholder Engagement, has again been elected onto the organisational board of Lembaga Ekolabel Indonesia (LEI)'s business chamber for 2012. LEI is a non-profit organisation that develops forest certification systems that prioritise fair and sustainable forest resource management in Indonesia. The board consists of four chambers that represent the most relevant stakeholders in the utilisation of forest resources, including the private sector, traditional forest communities and farmers, NGOs and eminent persons.

In addition, Our Indah Kiat, Tjiwi Kimia and Pindo Deli mills are members of the Association of Indonesian Public Listed Companies (AEI), the Association of Indonesian Pulp and Paper (APKI), and the Association of Indonesian Entrepreneurs (APINDO). We have an active involvement in all three of these associations.

CHAPTER 3

CHAIRMAN'S STATEMENT

DEAR STAKEHOLDER,

WELCOME TO APP'S FIFTH SUSTAINABILITY REPORT. 2012 HAS BEEN ONE OF THE MOST SIGNIFICANT IN OUR HISTORY AND ONE IN WHICH WE SET THE FOUNDATIONS THAT LED TO THE ANNOUNCEMENT OF OUR NEW SUSTAINABILITY STRATEGY.

CHAPTER
03

Throughout the reporting period we set out tough commitments and goals to deliver on our vision to grow our position as a leading and respected global pulp and paper company that provides superior values to customers, community, employees and shareholders - responsibly and sustainably.

SUSTAINABILITY ROADMAP:
VISION 2020

Governance

Board Oversight

Corporate Policy & Management System

Stakeholder Engagement & Disclosure

Environment

Mills Environment Performance

Fibre Sourcing

Water Management

Climate Change

Biodiversity & Conservation

Social

Employee Welfare

Community Development & Welfare

In support of our responsibility to those whose incomes and livelihoods depend on our business, we recognise the need to operate as a profitable and sound organisation. The reality is that APP's sales performance and revenue slightly decreased relative to 2011. This is largely because our major export markets have been affected by the slowdown in the global economy and economic instability in the European and North American markets.

Despite this slowdown in growth we see a number of opportunities. Emerging markets such as Indonesia and our neighbouring countries are still experiencing economic growth and the consumption of paper-based products continues to rise. Looking forward our 2013 marketing strategy will concentrate on Asia and our domestic market and we remain optimistic that APP will be in a strong position to achieve its sales and overall financial performance with a growth strategy that incorporates the right mix of products and geographical focus.

In June 2012 we unveiled our Sustainability Roadmap: Vision 2020³, putting the sustainable use of Indonesia's natural resources and the wellbeing of local communities at the heart of our business strategy.

A critical commitment within our roadmap is the cessation of natural forest clearance in pulpwood suppliers and APP's commitment to enforce this commitment, pending a series of High Conservation Value (HCV) assessments. The significance of 2012 lies in the fact that it was the year we publically committed to the development of HCV management plans for all of our pulpwood suppliers' concessions in Indonesia. This would lead to the development of the most far-reaching conservation effort in Indonesia's history. Our suppliers have now begun HCV assessments, covering 11 concessions and a total area of 1.2m ha across Sumatra and Kalimantan.

Forest conservation is only part of the story. Of equal importance are the communities that depend to a large extent on the opportunities our pulpwood suppliers provide to secure and sustain their livelihoods. We have a responsibility to ensure our suppliers respect the rights of local communities, provide economic empowerment, whilst also preserving the rich biodiversity of Indonesia's forests.

Water usage is an issue of growing importance and 2012 saw us continue our work with the United Nations CEO Water Mandate and as chair for the Indonesian CEO Water Mandate Working Group. The group provides a real opportunity for us to collaborate with other private sectors, government, local communities and NGOs to make headway with respect to one of the most pressing issues facing Indonesia. It's important that we do not just focus on our water impacts within our own pulp & paper mills operations, but that we also look to improve our impacts further beyond our operational boundaries through a range of community initiatives you will read about in this report.

³In February 2013 we launched our Forest Conservation Policy (FCP), see <http://www.asiapulppaper.com/sustainability/vision-2020/forest-conservation-policy> bringing forward by two years the total moratorium on natural forest clearance in all our suppliers concessions.

We recognise that many of the goals in our Sustainability Roadmap are ambitious, and we cannot expect to see results overnight. However, we are committed to openly and transparently communicating our progress to our stakeholders, and it is for this reason that in September 2012, we began developing our new sustainability Monitoring Dashboard⁴.

In each section of this report you will read about our progress against our roadmap goals. I'm pleased with the progress made, particularly in the development of our sustainability governance arrangements, reducing carbon emissions and fibre sourcing commitments. We need to increase the pace of our water footprint assessment to ensure our mills establish a clear baseline of water intensity and understand the areas the must focus on to deliver on our long term goals.

OTHER HIGHLIGHTS FROM 2012 INCLUDE:

- PUBLISHING A RANGE OF NEW AND UPDATED ENVIRONMENTAL AND SOCIAL POLICIES
- COMMITMENTS BY OUR SUPPLIERS TO ADHERE TO FREE PRIOR INFORMED CONSENT AND CONFLICT MAPPING RESOLUTION PROCEDURES
- COMMUNICATION TO STAKEHOLDERS OF OUR ROADMAP GOALS



Sustainability is an on-going journey for APP, and one that we endeavour to pursue within all aspects of our organisation through our Vision 2020 Sustainability Roadmap. We commit to transparency in our progress towards our goals, and look to work in collaboration with stakeholders and ensure our pulpwood suppliers behave in a way that safeguards our natural forests and the biodiversity within them as a priority, alongside our obligation to continue to grow our economy and alleviate poverty.

Teguh Ganda Wijaya

Chairman

CHAPTER 4 OUR PRODUCTS

APP PRODUCES A WIDE RANGE OF PAPER BASED PRODUCTS THAT ARE SOLD GLOBALLY TO OVER 120 COUNTRIES THROUGH OUR NETWORK OF SALES OFFICES AND AGENTS.



CHAPTER 04

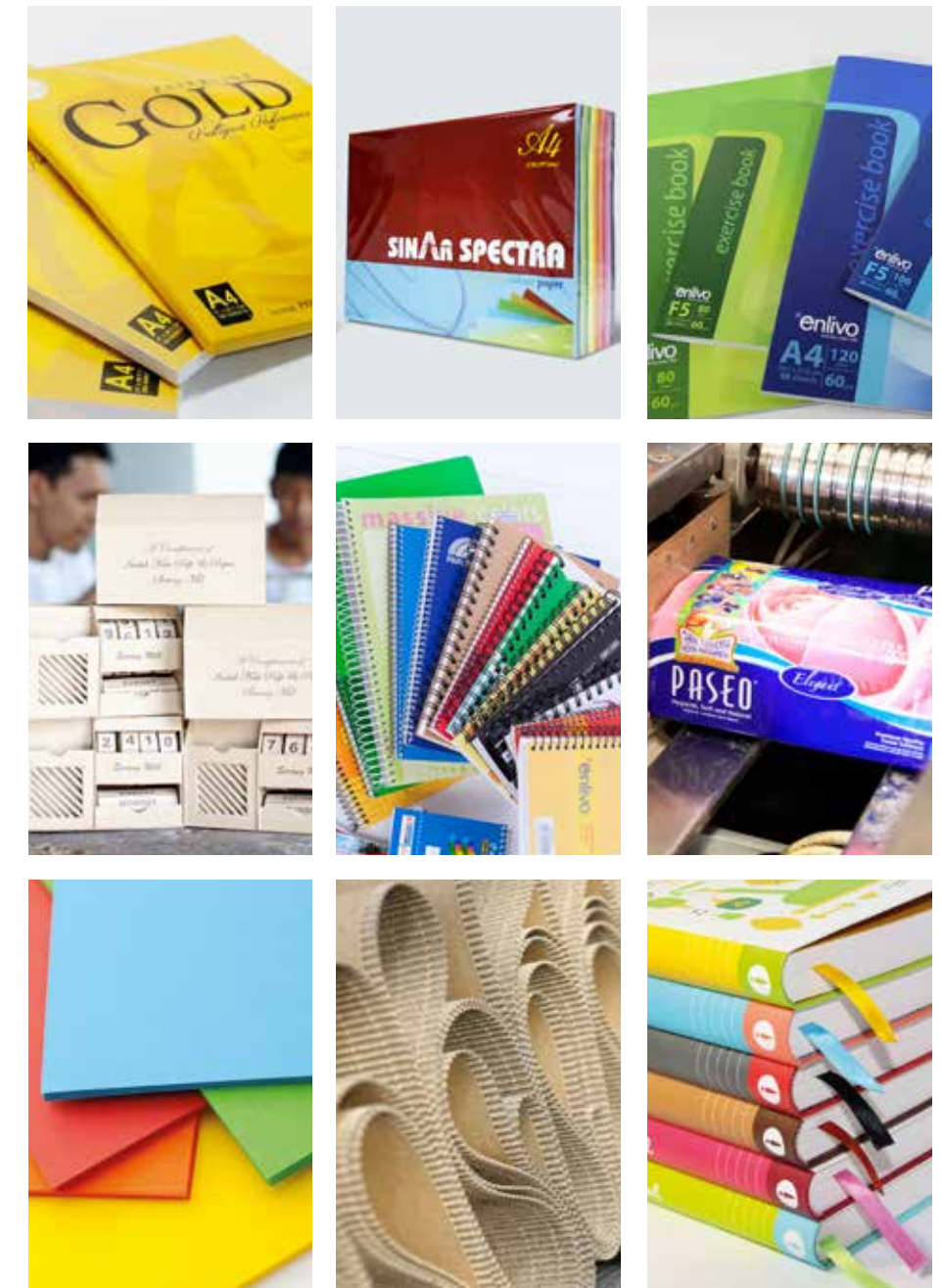
Our on-going efforts to make our operations more sustainable, as discussed throughout this report, allow us to pass a number of sustainability benefits onto our customers through our products. Our use of responsibly sourced fibre, manufactured in mills that adhere to strict environmental guidelines, enables us to provide products comprised of renewable materials with the lowest possible environmental footprint. The initiatives covered in this report and our Vision 2020 Roadmap commitments all contribute to mitigating the impacts of our products.

PRODUCTS AT A GLANCE

Asia Pulp & Paper (APP) is a brand name under which our products are sold, Purinusa Ekapersada is the brand holder of APP.

The scope of this report covers APP pulp and paper operations in Indonesia, specifically the following pulp operational facilities.

- | | |
|----------------------|---------------------------------|
| COATED PAPER | Premium magazines and packaging |
| UNCOATED PAPER | Books, catalogues |
| INDUSTRIAL PACKAGING | Carton packaging |
| OFFICE PRODUCTS | Copier paper |
| TISSUE | Hygiene products |
| SPECIALITY | Receipts, stickers |
| STATIONARY | Notepads, envelopes |
| PUBLISHING | Encyclopaedia, dictionaries |
| SERVICE | Shopping bags, food boxes |



Information requests from our customers predominantly concern fibre source and, increasingly, carbon and water intensity. Packaging products, particularly those that are used in direct contact with food, face additional information requests from our customers, typically around the content and safe use of the product.

To demonstrate and communicate information on fibre sources, we display fibre certification labels from independent third party verified schemes (see Sustainable Fibre Sourcing section for the range of schemes in place). This is coupled with a chain of custody certification which demonstrates a thorough on-site process to maintain fibre traceability from production to the finished product.

As we develop and communicate carbon and water footprint assessments across our operations (see page 82) we are developing detailed databases to respond to customer requests on a product level. We will communicate group level progress on our website and in our Sustainability Report and provide detailed data to individual customers as requested. Our Vision 2020 Roadmap goals aim to pass on the reduced impact of our products to our customers and clearly demonstrate our performance in energy, carbon and water intensity reduction.

Packaging materials, particularly those in direct contact with food, require adherence to strict certification to demonstrate product health and safety. Products that hold the ISO 22000 certification for food packaging manufacturers are available from our Pindo Deli mills. We have also secured Food and Drug Administration (FDA) approval for products marketed in the US.

There were no incidents of non-compliance concerning either health and safety impacts or labelling of our products in 2012.

Eco-labels are another way of demonstrating the credentials of our products. APP serves a global customer base and as such, we must seek certification from a range of different schemes to satisfy the needs of each region where we market our products. Eco labels are awarded to paper products that have a reduced environmental impact in comparison with other paper products within the same product category. They must demonstrate high environmental performance and quality, considering the whole life cycle of the product from raw material sourcing, certification, manufacturing, use and disposal. We apply the relevant eco label in each respective sales market, considering local market requirements and the type and end use of the product or brand.

APP MILLS CERTIFICATION STATUS

| CERTIFICATION | MILLS | | | | | | | |
|--------------------|--------------------------------|-------------------------------------------|----------------------|-----------------------------------------------|---------------------|----------------|-------------------------------------------------------|----------------|
| | Indah Kiat Perawang | Indah Kiat Serang | Indah Kiat Tangerang | Pindo Deli Karawang | Pindo Deli Perawang | Lontar Papyrus | Tjiwi Kimia | Ekamas Fortuna |
| Quality Management | ISO 9001 | ISO 9001 | ISO 9001 | ISO 9001 | ISO 9001 | ISO 9001 | ISO 9001 | ISO 9001 |
| Product Quality | ISO 9706 | | | | | | ISO 9706 | |
| | SNI 14-2655-2000 | HP Indigo Media Certification | | SNI | | | | |
| | SNI 7174 : 2008 | | | | | | | |
| | Ecolabel - Indonesian Standard | | | Ecolabel - Indonesian Standard | | | Ecolabel - Indonesian Standard | |
| | | | | Ecolabel - European Union Commission Standard | | | Ecolabel - European Standard | |
| | | | | Green Mark - Taiwan Ecolabel Standard | | | Eco Mark - Japanese Standard | |
| | | | Halal | Halal | Halal | Halal | | |
| Environment | ISO 14001 | ISO 14001 | ISO 14001 | ISO 14001 | ISO 14001 | ISO 14001 | ISO 14001 | ISO 14001 |
| | PROPER (blue) | | PROPER (green) | PROPER (PD I: blue, PD II: green) | | PROPER (blue) | | PROPER (blue) |
| | Green Industry | Green Industry | Green Industry | Green Industry | Green Industry | Green Industry | | |
| Health & Safety | SMK3 | SMK3 | SMK3 | SMK3 | SMK3 | SMK3 | SMK3 | |
| | | | OHSAS 18001 | OHSAS 18001 | | | | |
| Chain of Custody | PEFC | PEFC | PEFC | PEFC | PEFC | PEFC | PEFC | |
| | LEI | | | LEI | LEI | LEI | LEI | |
| | SVLK | SVLK | SVLK | SVLK | SVLK | SVLK | SVLK | SVLK |
| Product specific | | RoHS - EU | | ISO 22000 | | | RoA/RoHS of Heavy Metal | |
| | | REACH | | | | | Analysis report of SVHC screening | |
| | | Food Packaging Direct Contact-BFR Germany | | | | | Food Grade Paper/ Board, Germany Recommendation XXXVI | |
| | | ASTM and EN71 Part 1 2 3 9 | | | | | Green Seal | |
| | | PFOS and PFOA | | | | | Green Logo Singapore | |
| | | Supervision of Good Packaging BPOM | | | | | ISPM (Phytosanitary) | |

TOMORROW'S PRODUCTS, TODAY

The impact of sustainability innovation is present throughout our product's life cycles. From the two Research and Development centres located within our suppliers' plantations through to the R&D function at each of our mills, we are constantly seeking new, innovative approaches to deliver products which exceed our customers' expectations.

Our pulpwood suppliers' R&D centres focus on improving the efficiency of the plantation development process and looking for ways to reduce water and fertiliser dependency and increase disease resistance. The mills' R&D departments are more process focussed, identifying opportunities to improve the utilisation of our technology and prioritise the investments that provide the greatest return from both environmental and financial perspective.

Indirectly we are able to improve sustainable product performance through the improvement of our products' technical specifications, particularly in the packaging product segment. Grades with high-strength properties and crush resistance help to protect the product they are designed to protect, in turn reducing potential damage and waste. If our products can deliver these properties at a lower weight the overall weight of packaging is also reduced (termed 'light-weighting' in the packaging industry). When multiplied across many thousands of individual packages the benefits realised include reduced transportation costs, emissions and waste.

ENZA MG

is an uncoated, machine-glazed paper with one side glossy and one side smooth. It has clean surfaces, good dimensional stability and complies with the U.S. FDA & ISEGA food contact safety requirements, making it suitable and safe for direct food contact.

ENOVA

caters to the high quality offset printing market; offering a recycled fibre content grade without compromising on the quality of the product, it is a premium recycled coated paper.

SINARPLEX

is a multi-layer grey-back Duplex paper board (GD) with a fully coated top surface. It is made of virgin pulp and recycled fibres for multi-purpose, non-food packaging applications. The coated top surface uses virgin fibre, providing a high quality smooth printing surface. Recycled fibre is used in non-external layers to provide bulk and strength, without compromising on visual properties.

COPYMATE

is a copier grade designed for office and home use. It is produced at our Pindo Deli mills, is made from 80% recycled fibre and carries the Taiwan Green Mark.



CUSTOMER SATISFACTION

Every year we carry out a formal customer satisfaction survey and respond accordingly. Last year we received feedback that APP's website and complaint handling required improvement. In 2013 we will launch a new-look website with updated navigation and clearer design. We also revised our complaint handling procedures and reduced our response time. The latest survey results show progress in both of these areas and indicate that we should now focus on lead times, particularly in export markets in the coming year.

The areas in which we performed well were sales office performance, after sales service, packaging and product knowledge.

APP products are sold through two channels; directly through our mills or through an independent local sales representative. Marketing communications, whether produced directly by APP or by a local sales representative, adheres to the relevant local codes or voluntary standards. . In some cases our products are the subject of stakeholder questions, these are either dealt with by our local sales representatives or the enquiry is passed to the Sustainability and Stakeholder Engagement team in Jakarta. There were no issues of non-compliance in 2012.

CHAPTER 5
OUR SUSTAINABILITY STRATEGY

OUR VISION IS TO BECOME A LEADING AND RESPECTED GLOBAL PULP-AND-PAPER COMPANY THAT PROVIDES SUPERIOR VALUES TO CUSTOMERS, COMMUNITY, EMPLOYEES AND SHAREHOLDERS - RESPONSIBLY AND SUSTAINABLY.



CHAPTER
05

SUSTAINABILITY MANAGEMENT



The foundation of our approach is based on legal compliance as a minimum requirement in all aspects of our operations. We build on this by looking towards relevant standards to guide us, with stakeholder engagement providing overarching input to inform our sustainability strategy.

Our strategy aims to mitigate key impacts and risks. The most significant are the environmental impact of our pulp and paper mills through production-linked air and water emissions, and the fuel used to generate the energy required for our operations. In terms of social impacts, we employ a significant number of employees and have an ongoing responsibility to provide a safe and prosperous working environment.

Climate change presents a financial and environmental risk to APP, namely the impact which changes in climate patterns could potentially have on the availability of our main raw material, wood fibre, and the subsequent impact on our wider supply chain. Our property in low-lying regions also presents a risk in the event of sea level rises as a result of climate change, but we have not currently calculated the direct financial implications specifically as a result of climate change.

APP SUSTAINABILITY ROADMAP – VISION 2020

We recognise that we need to develop a more holistic approach to sustainability, aligned to a clear vision to guide us through our journey, and in 2012 we announced our Sustainability Roadmap, Vision 2020.

The Sustainability Roadmap is an instrument to help APP lay down measurable and verifiable goals to achieve our vision. This roadmap consists of a comprehensive set of key sustainability goals that reflect our commitment and the interests of our stakeholders. It also provides a benchmark against which our stakeholders can measure and assess our progress.

In developing the Sustainability Roadmap Vision 2020 we engaged with key stakeholder groups. This included interviews with 260 individuals and organisations representing APP management and employees, suppliers, customers, government officials, local communities and NGOs. The result of the interviews, combined with internal and external benchmarking of sustainability practices, enabled us to establish exactly which issues are crucial to sustainable development and how those issues should be prioritised. We also engaged with third party experts to use their specialist knowledge to help shape the roadmap⁵.

We have set ambitious goals and objectives for the areas of our business with the greatest material effect in relation to sustainability. Our progress will be communicated through on-going updates on our website and within our annual sustainability reports. This report will cover APP’s commitment on further improving the sustainability performance of both of our operations and our suppliers.

Our strategy reflects both the global sustainability issues faced by the wider business community and those specific to a company producing timber based products in Indonesia.

⁵ Further information on issue identification can be found in the 2010/2011 Sustainability Report

INPUTS

| | |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Materiality assessment | Stakeholder engagement survey |
| | Stakeholder report review |
| | Stakeholder Engagement team feedback |
| Independently verified sustainability reporting | GRI reporting guidelines |
| Carbon footprinting | WRI / WBCSD Green House Gas Protocol |
| | ICFPA / NCASI carbon footprinting tool |
| | IPCC standards |
| | ISO 14064 |
| Social footprinting and human rights assessments | UN Millennium Development Goals |
| | United Nations Human Rights Council endorsed guiding principles for business on human rights |
| | Free and Prior Informed Consent (FPIC) principles |
| Management systems | ISO 9001 Quality Management |
| | ISO 14000 Environment Management Systems |
| | ISO 26000 guidelines for CSR Management |
| Health and safety guidelines | National Occupational Health and Safety standards (SMK3) |
| | OHSAS 18001 |
| Environmental emissions and waste management | National compliance |
| | IFC / World Bank Environmental, Health and Safety guideline for pulp and paper industry |
| Sustainability of fibre supply | National mandatory Legality and sustainable Forest Management (SFM) requirements |
| | High Conservation Value Forest (HCV) Principles |
| | Chain of custody standards (PEFC, FSC, LEI) |

VISION 2020 ROADMAP

OUTPUTS: Roadmap commitments

| | |
|--------------------|-------------------------------------------------|
| COMMUNITY | Employee welfare |
| | Community development |
| ENVIRONMENT | Mill's environmental performance |
| | Fibre sourcing |
| | Climate change |
| | Water management Biodiversity & conservation |
| GOVERNANCE | Board oversight |
| | Corporate policy and management systems |
| | Stakeholder engagement and disclosure |

The Roadmap is divided into two phases:

By 2015: increase efficiencies and accelerate implementation of key sustainability initiatives
 By 2020: become the global sustainable leader in our industry and a key creator of sustainable value where we operate

Significant milestones include:

- By 2015, APP will be wholly reliant on raw materials from pulpwood plantations
- By 2015, all APP pulpwood suppliers will implement High Conservation Value Forest (HCVF) principles⁶, providing the most robust protection for biodiversity, rare ecosystems and local community rights
- By 2020, all of APP's suppliers will have credible Sustainable Forest Management (SFM) certification
- As part of its sustainable forest management commitments, APP will work together with its pulpwood suppliers to introduce above and below ground carbon measurement and evaluation for all plantations.

There are certain key activities within the Roadmap that will help us to reach our goals. These include continually reviewing our carbon footprint and the effective management of emissions from our manufacturing facilities. We will also work to improve our human rights record and the economic and social welfare of our workforce, as well as ensuring our suppliers uphold the civil rights and well-being of forest communities living in and around production forest areas.

The Roadmap will be followed by everyone working for APP, from senior management, contractors operating on the mill floors and those responsible for enforcing the activities of our suppliers. This level of buy-in will ensure that we operate according to the highest international standards to support our goal of becoming a leading and respected global pulp and paper company.

We fully anticipate challenges as we progress towards achieving Vision 2020. Following the initial assessment and development work in establishing Vision 2020, we continued working on further assessing our goals and current conditions on-site. Realising the importance to act more promptly upon our goals, we developed more aggressive targets and deadlines in several aspects. One of the examples is our commitment to ensure our suppliers are implementing High Conservation Value Forest (HCVF) assessments and to end natural forest clearance across the supply chain by 2015⁷.

We recognise that we won't achieve all of our goals overnight; however we are committed to transparently communicating our progress regularly and frequently, which will allow our stakeholders to assess us against our performance. When we launched the Roadmap in 2012 we pledged to further increase transparency and improve stakeholder engagement by releasing quarterly progress Roadmap updates. We have also invited key stakeholders to actively monitor our performance and to work with us in accelerating the achievement of our goals.

⁶ HCV assessment carried out in 2012 based on voluntary standards developed by HCV Resource Network. Its "Guide to Identify HCV" was drafted by consortium for HCV Toolkit in Indonesia in 2008.

⁷ We announced our new Forest Conservation Policy (FCP) on February 5th 2013, signifying that the process of achieving our objective of ending natural forest clearance had been accelerated by almost two years.

SUMMARY OF COMMITMENT

| COMMUNITY | | |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increase the number of communities that can benefit from APP's social programs and improve their effectiveness. | On track | Expanding CSR programmes to pulpwood suppliers, assisting them in developing their community engagement strategy |
| EMPLOYEE WELFARE | | |
| Provide a Healthy & Safe work environment for APP employees. | On track | Report statistics in line with GRI, all mills to be certified to OHSAS 18001 by 2020 |
| Maintain employee satisfaction to ensure that APP attract and retain talented and competent people. | Implementing | Developing a group wide employee satisfaction survey and Human Rights assessment |
| FIBRE SOURCING | | |
| 100% independent 3 rd party verification for pulpwood legality. | Ahead of target | Accelerated progress and achieved by end 2012 |
| Zero High Conservation Value Fibre. | On track | APP owned concession in 2012 stopped all conversion of natural forest into plantation pending the HCVF assessment result |
| 100% sustainable plantation wood for pulp by 2015, subject to maximum tolerance of 5% for waste and residue (2012 target 12%) | Ahead of target | Ahead of target, MTH accounted for 11% of raw material in 2012 |
| 100% Sustainable Forest Management (SFM) certified pulpwood. | On track | 57% PHPL Mandatory Certification (45% in 2011), 29% LEI SFM Certification (26% in 2011). additional steps being taken to increase fibre certification availability |
| Maintain a sustainable proportion of recovered fibre in addition to renewable virgin Fibre. | On track | In 2012 30% of our raw material was from recycled sources (31 % in 2011) |
| REFORESTATION | | |
| Support the national target for reforesting degraded land. | On track | Supporting reforestation of degraded land through responsible plantation development. Specific projects include 2m trees planted in SumSel, Riau province |

SUMMARY OF COMMITMENT

| CONSERVATION AND BIODIVERSITY | | |
|----------------------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Support the national target to preserve designated protected and conservation areas. | On track | Conservations programmes aligned to Government of Indonesia targets, flagship programme Giam Siak Kecil – Bukit Batu Biosphere Reserve |
| Support the national target to increase by 3% the population of 14 specified endangered species. | On track | Conservation programmes aligned to Government of Indonesia targets, include protection of orangutan, Sumatran Tiger & Javan Rhino |
| INDIGENOUS PEOPLE | | |
| Adopt international guidelines for the protection of indigenous people's customary rights in the forest. | On track | Commitment to Free Prior Informed Consent with development of procedures and training for employees begun in 2012 |
| EMISSIONS | | |
| Reduce the impact of mill's greenhouse gas emissions. | On track | Increase renewable fuels use, reducing reliance on non-renewable sources |
| WATER MANAGEMENT | | |
| Improve management of water use in line with the UN Global Compact CEO Water Mandate program. | On track | We have started the process of carrying out detailed water balance assessments. To date three mills have established a baseline for reducing water use |
| WASTE MANGEMENT | | |
| Reduce solid waste to landfill and view waste as a resource. | On track | From 2011 to 2012 we reduced waste to landfill by 37% |



FIRST QUARTERLY -PROGRESS REPORT

A CORE PART OF OUR ROADMAP IS THE PUBLICATION OF DETAILED QUARTERLY UPDATES WHERE WE PRESENT A SUMMARY OF OUR ACHIEVEMENTS, CHALLENGES AND NEXT STEPS FOR EACH THREE-MONTH PERIOD. THE FIRST OF THESE PROGRESS REPORTS WAS PUBLISHED IN SEPTEMBER 2012

<http://www.asiapulppaper.com/sustainability/vision-2020/reports>.

MAJOR MILESTONE #1:

As of September 1st 2012, working together with our pulpwood suppliers, we have imposed a moratorium on all natural forest clearance across our suppliers' supply chains in Jambi province until HCVF assessment is complete.

Two pulpwood suppliers in Jambi joined one of our largest suppliers Wira Karya Sakti (WKS) in suspending natural forest clearance until HCVF assessments are conducted.

MAJOR MILESTONE #2:

We have also completed an updated Responsible and Sustainable Business Declaration, which covers all aspects of our operations, including policies that support our commitment to operate sustainably and the policies which we expect our pulpwood suppliers to adhere to.

As a key part of our management systems, the following policies have been updated and will be regularly reviewed to keep pace with global best practice:

| Policy | Coverage |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Environment Stewardship Policy | Sustainable wood fibre sources, waste, GHG emissions, water, environmental management systems |
| Responsible Fibre Procurement & Processing Policy | Wood legality, forest management, waste and wood residues, genetically modified species |
| Corporate Social Responsibility Policy | Stakeholder engagement, governance, human rights, community programmes |
| Employee Welfare Policy | International conventions and standards, health and safety, training |

Additional highlights from the first quarterly progress report include the following:

- APP is on track to complete the HCVF preliminary assessment process for its own pulpwood suppliers' concessions in Indonesia by the first quarter of 2013.
- For pulpwood suppliers' concessions in Jambi and Riau provinces, the HCVF preliminary assessment process is over 80% completed and is at the draft report stage.
- For pulpwood suppliers' concessions in West Kalimantan, the HCVF preliminary assessment process is over 47% completed, with site visits currently taking place.
- APP has communicated the HCVF commitment to all of its pulpwood suppliers.
- Two additional pulpwood suppliers in the Jambi province of Sumatra, Indonesia, have agreed to adopt HCVF principles from September 1st, 2012. This means that APP is able to suspend natural forest clearance across all of its supply chain in Jambi.
- The Jambi moratorium has put APP's HCVF compliance process for pulpwood suppliers well ahead of schedule.
- APP's target is to achieve 100% reliance on plantation fibre by 2015, subject to a maximum 5% tolerance for Mixed Tropical Hardwood (MTH) waste and residues.
- APP is already ahead of its target to reduce MTH in the supply chain. By June this year, MTH was calculated to account for just 11% of APP Group's supply of raw materials, ahead of the target of 12%.

While the Roadmap provides the overall structure for directing the focus across APP, we use a range of management tools to achieve our vision, many of which are long established across our mills and our suppliers. These tools include:

- ISO management systems and quality control, e.g. ISO14001
- Forest management and chain of custody certification schemes e.g. PHPL, LEI SFM, PEFC
- Health and safety management systems e.g. OHSAS 18001
- Independent third party verifications

STAKEHOLDER ENGAGEMENT AND MATERIALITY

One of the benefits of our new sustainability governance structure is that it will allow for clearer communications between APP and its stakeholders. In order to maintain our extensive and complex supply chain we engage with critical stakeholders on a daily basis. We recognise the importance of being responsive to their needs and reacting and responding accordingly.

We determine materiality both through formal and informal mechanisms. Our largest formal stakeholder survey to date was carried out in 2011 as part of the Vision 2020 Roadmap development. A dedicated Jakarta-based stakeholder engagement team, in addition to a network of stakeholder engagement representatives based in and around our global key markets, take responsibility for day-to-day engagement, monitoring and feedback on issues of concern to our stakeholders. A stakeholder report review helped to refresh our understanding of material issues in 2012 and we monitor both global and local stakeholder and media activity for issues that APP should respond to.

We consider our stakeholders to be the following:



Examples of engagement in 2012

HOST COMMUNITIES

Regular formal and informal meetings and discussions throughout the year. We also used questionnaires to formally measure satisfaction and gain feedback on APP's key projects during the year and evaluate impacts.

INDUSTRY FORUMS

UN Global Compact, Indonesia CEO Water Mandate, Rio+20 Corporate Sustainability Forum in Brazil.

GOVERNMENT TO BUSINESS FORUMS

European Commission Green Week event. Ministry of Forestry Business Dialogue on EUTR & SVLK in Europe.

SUSTAINABILITY REPORT

Following the publication of our 2010/11 Sustainability Report we interviewed several of our stakeholders to gain feedback on the document and their expectations for the 2012 report.

TRADE AND INDUSTRY EVENTS

Attending international industry exhibitions such as Paperworld 2012 in Frankfurt to meet our customers and wider industry stakeholders.

MEDIA AND CUSTOMER TOURS

Inviting key customers, potential customers and media representatives to visit our mills and our pulpwood suppliers' forestry operations to meet our employees and witness first-hand how we manage our operations. In 2012 we invited customers from Japan, USA, Canada, Australia, Taiwan, China and France.

WORKSHOPS

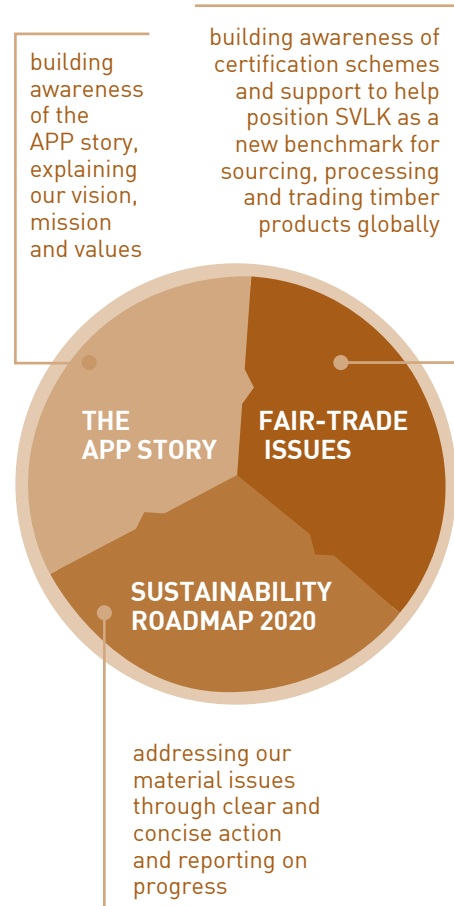
Host workshops for both employees and customers, updating on activities and gathering feedback.

SUSTAINABILITY WEBSITE

We welcome comments through our website. Each one is passed to the Sustainability & Stakeholder Engagement team, who respond accordingly.

As well as the above formalised stakeholder engagement activities we interact on a daily basis with our stakeholders through our day to day work, from our sales team talking to customers through to one of our mill colleagues engaging with our suppliers. We encourage this dialogue and believe it strengthens our access to stakeholder feedback.

IN 2012 OUR PRIORITY STAKEHOLDER COMMUNICATIONS WERE:



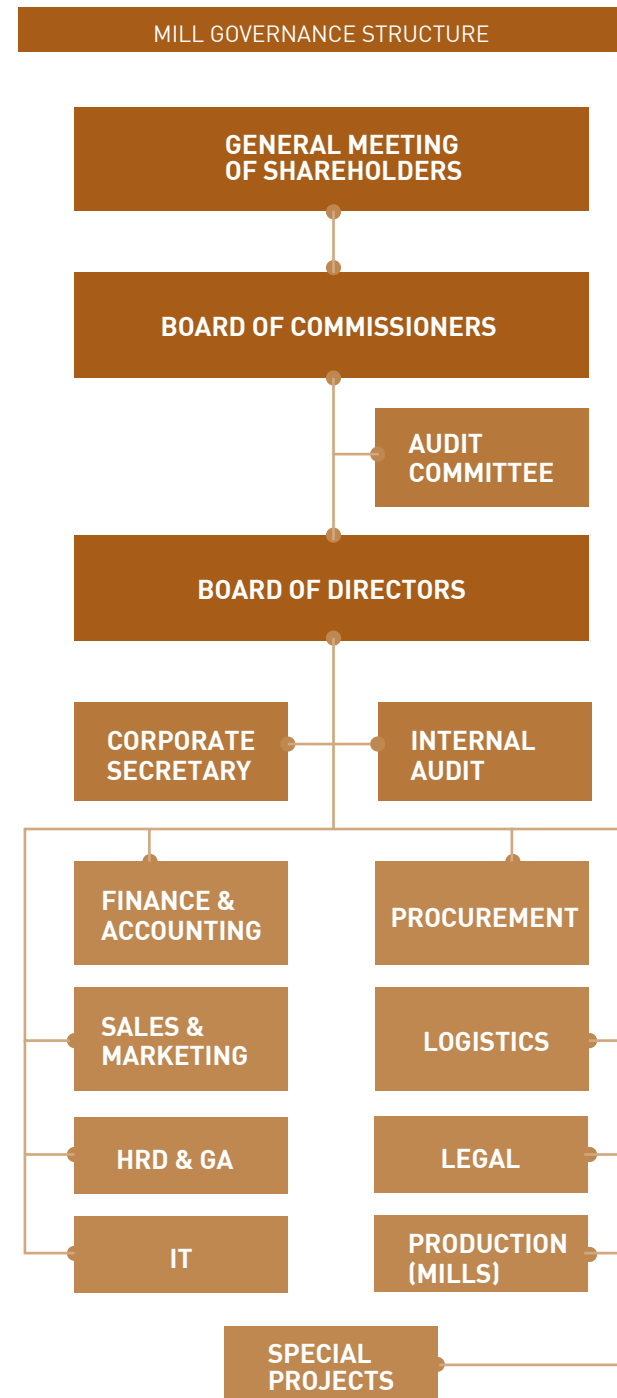
STAKEHOLDER REPORT REVIEW

To update our materiality determination and gain feedback on our 2010/2011 Sustainability Report we carried out a series of interviews with stakeholders. The summary of their feedback and how we responded is set out below.

| FEEDBACK | OUR RESPONSE |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How APP's activities influence the world's ecosystem | Described in the Sustainable Fibre Sourcing section. |
| Demonstrate accountability through working with third party groups and auditing | Additional content provided on governance and accountability. Sustainable Fibre Sourcing section includes coverage of third party audit of our suppliers. |
| Increase report balance | Publishing and reporting against all Vision 2020 goals, including commentary on areas we need to improve further. |
| Include commentary from NGOs | Comments on our community programmes included. Wider NGO commentary will be considered for future reports. |
| More detail on CO ₂ emissions and recent trends | Additional disclosure of CO ₂ emissions, includes three year trend data. |
| Acknowledging high risk of bribery and corruption | Provided additional information on training and the ways that employees can report activities of concern through the Whistle-blower Programme. |
| More detail on how APP address human rights and labour risks | The new commitments are set out in the Vision 2020 Roadmap, including principles of Free Prior Informed Consent and our approach in line with UN Guidelines on Business and Human Rights. |

CORPORATE GOVERNANCE

Our decentralised corporate structure comprises semi-autonomous mill units, each with their own board, governance arrangements and independent financial reports. In 2012 Tjiwi Kimia and Indah Kiat mills published an Annual Report.



Each company within APP has a supervisory board of commissioners who hold ultimate responsibility for the delivery and management of financial, economic and social programmes. The composition of the board, including specific roles and remuneration, are described in the respective mills' annual reports. We plan to introduce a remuneration committee into our governance structure in the future. Our Whistle-blower Programme was established in 2008 and is central to good corporate governance implementation, enhancing, controlling and monitoring our operational procedures. This is underpinned by core policies, including Standards of Conduct, Compliance with Laws, Conflict of Interest and Business Integrity.

Alongside the programme we established the Ethics Call Centre as a channel to provide feedback to the Head of Internal Control and Audit Division, ICAD.

Diversity at board level is addressed by the same approach that we use across the organisation – we appoint the most appropriate people for each role, irrespective of gender or any other measure of diversity. Board members are not permitted to hold any other external position that has the potential to present a conflict of interest.

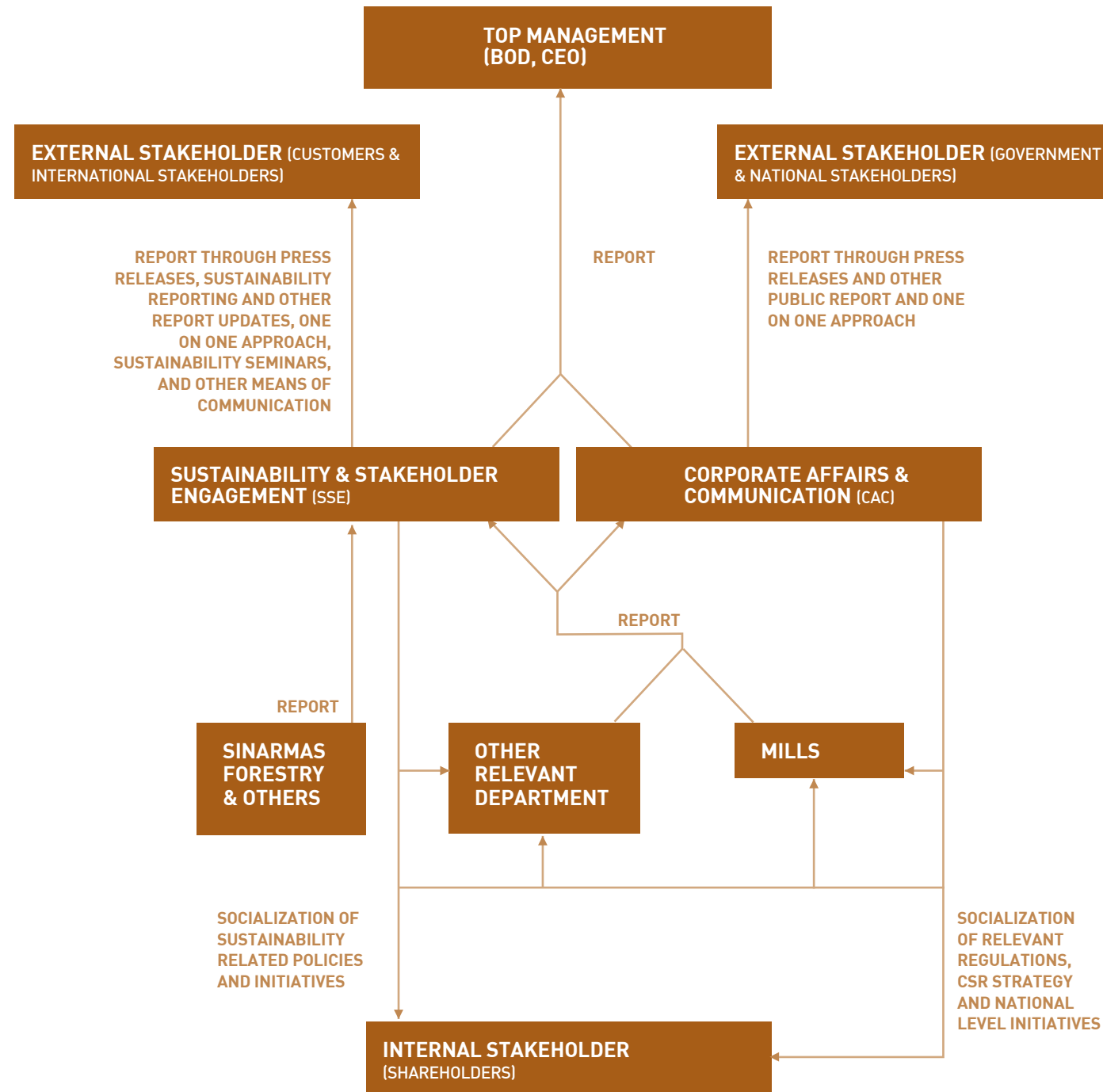
Financial risk analysis across all business units are the responsibility of the ICAD. Each sector is assessed against the control procedure to monitor the risk and categorised into high, medium and low risk to focus business prioritisation. In collaboration with the finance department, factors that are monitored include pricing, competition, foreign exchange fluctuations and other related economic risks, availability of raw material and environmental factors including climate change. Risks and control procedures are monitored monthly and managed through appropriate management systems.

All APP mills have been assessed for risks related to corruption as part of establishing APP's Whistle-blower Programme in 2008 to further enhance monitoring of the way in which we conduct our business across all of our operations. The programme has two elements; training for all employees (to date 24,500 employees have been trained) and our Ethics Call Centre, which provides an anonymous channel for stakeholders, both internal and external, to report any concerns they have regarding the activities of our company, supplier, partner or an employees. In addition to issues raised through the Ethics Call Centre, ICAD also carry our regular internal audits. In 2012 we reviewed 71 new cases, up from 39 the previous year. We believe this reflects increased awareness of anti-corruption and how to report it. We terminated 31 employees' employment contracts and issued 42 warning letters in response to issues raised in 2011 and 2012.

SUSTAINABILITY GOVERNANCE

As part of our Roadmap development we recognised the need to formalise a more structured management approach to improve sustainability communications, monitoring and reporting across all of our mills. In 2012 we improved our governance structure, specifically to manage sustainability across our organisation

MECHANISM OF SUSTAINABILITY MONITORING, REPORTING & COMMUNICATION



Central to our new approach are the Sustainability & Stakeholder Engagement (SSE) and Corporate Affairs & Communications (CAC) teams, based in Jakarta. They are responsible for the communications channels to the mills, fibre suppliers and internal and external stakeholders. This is a two way process, so we also gather feedback from stakeholders and report relevant issues back into the SSE and CAC team for consideration. The Top Management team, comprised of the CEO, APP Board of Directors, and shareholder representatives, provides oversight and is ultimately responsible for APP's environmental, social and economic performance. The Joint Steering Committee on Sustainability sits at top management level and includes representatives from APP, Sinar Mas Forestry and TFT. This committee meets monthly, with an implementation meeting every two months, where team members responsible for assessing and verifying our progress 'on the ground' report back on their recent findings.

CHAPTER 6

COMMUNITY ENGAGEMENT

ENGAGING WITH THE LOCAL COMMUNITIES IN THE AREAS WHERE WE OPERATE IS VITAL IN ORDER TO MAINTAIN A GOOD RELATIONSHIP WITH OUR NEIGHBOURS AND A SOCIAL LICENCE TO OPERATE.



CHAPTER 06

COMMUNITY EMPOWERMENT AND WELFARE

Increase the number of communities that can benefit from APP's social programs and improve their effectiveness.

On track

Expanding CSR programmes to pulpwood suppliers, assisting them in developing their community engagement strategy

It's part of being a responsible company in a region where communities are in need of extensive support to realise their potential and improve their overall standard of living. As one of the largest pulp and paper companies globally, we recognise our ability to have an increasingly positive impact on the local community as the business grows.

In each region that we operate we encourage economic development through our procurement from local suppliers. Our policy is to select suppliers primarily on price, quality and availability of supply. Where our mills are situated in more remote regions we aim to at least find suppliers on the same island as the mill. In 2012, 74% of our procurement spend was with suppliers within this area.

The majority of our employees come from the communities immediately surrounding our mills. We will continue to rely on this pool of talent as we grow and develop our business, contributing sustainably to the development of people surrounding our mills.

We empower our host communities through the use of collaborative approaches to improve self-sufficiency alongside long term development and sustainability. Furthermore, we aim to establish programmes that are inclusive of our business, so that APP and our host communities can develop and thrive together. For example, we have programmes that convert waste from our operations into saleable products, and scholarship programmes for local residents that have the potential to lead to careers at APP.

SOCIAL FOOTPRINT

At five of our sites in 2012 we conducted internal social footprint studies in order to gain a detailed understanding of our impact on the communities in which we operate, and to learn how we can further improve the effectiveness of our programmes. We interviewed individuals and hosted focus group discussions to gain insight from local communities in the vicinity of our operations.

These studies established baseline data on the social, economic and cultural situation of our operations using the Millennium Development Goals as a benchmark. We evaluated our CSR programme's effectiveness and identified risk and opportunities for each. Benchmarking against the social programmes provided by other companies also helped us to place our activities into the context of what the communities are receiving.

While the findings varied for each study, recommendations included the need to;

- Establish more formal partnerships to leverage the impact of programmes and ensure that they are widely promoted and accessible;
- Consider a welfare based approach, prioritising communities with the lowest income per capita;
- Develop cross-issue approaches. An example could be to reduce child mortality through a joint approach in developing integrated health centres and improving sanitation;
- Ensure that successful programmes that support communities in developing tourism as a source of income are rolled out to other regions.



Our mills operate in a variety of locations. Some, such as Pindo Deli, are situated in industrial areas whilst others, such as Kiat Tangerang operate in densely populated regions. Other mills, including Ekamas Fortuna and Lontar Papyrus are located in rural areas with more sparsely populated surroundings. Our community projects are tailored to these different locations, focussing on the key issues affecting each unique community and reflect the nature of the mills' operations in each region.

APP ALIGN COMMUNITY INITIATIVES WITH THE MILLENNIUM DEVELOPMENT GOALS, AND WE TARGET OUR INVESTMENTS TOWARDS INITIATIVES THAT ADDRESS THE SPECIFIC TARGETS SET OUT BY THE GOALS:

- 1.  **ERADICATE EXTREME POVERTY AND HUNGER**
- 2.  **ACHIEVE UNIVERSAL PRIMARY EDUCATION**
- 3.  **PROMOTE GENDER EQUALITY AND EMPOWER WOMEN**
- 4.  **REDUCE CHILD MORTALITY**
- 5.  **IMPROVE MATERNAL HEALTH**
- 6.  **COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES**
- 7.  **ENSURE ENVIRONMENTAL SUSTAINABILITY**

Each mill carries out their own social mapping exercise to understand where best to direct their investments and plan their community engagement programmes appropriately. For example, at Indah Kiat Serang, CSR activities take place in seven districts, yet the main emphasis is on five districts on the Western side of the river where the mill's activities have the greatest impact. To ensure the effectiveness of our programs, we use a participatory approach whenever feasible. We strongly encourage the community to not only take part in our social programs, but to also contribute whatever resources they have available. This is in line with the self-sustaining message we carry across the implementation of our CSR activities. It is common for us to consult the community regarding the types of investments and projects that they would like to see. In addition we respond to requests by local and regional government for various CSR initiatives in particular locations. We believe that the impact of a programme is likely to be stronger and more sustainable when stakeholder engagement is strong.

As well as focussing on the Millennium Development Goals, a particular emphasis was placed on water initiatives for the communities surrounding APP's mills in 2012. APP supports the UN Global Compact CEO Water Mandate programme. Within our 2020 roadmap, as well as ensuring responsible water management within our operations, we have pledged to improve our impact beyond our mills' operational boundaries by 2015. We have already initiated a number of community programmes focussing on the availability of clean, safe water and sanitation to some of our host communities and we will continue to build on our efforts in order to meet this goal.



APP is proud to be part of the Indonesia Working Group on the UN Global Compact CEO Water Mandate programme. The programme aims to make a marked contribution to water conservation initiatives in Indonesia, a country that is acutely aware of the need to conserve and secure a clean water supply, in light of the highly populated cities on the island of Java that are particularly at risk. The group is chaired by APP and also includes representatives from government, the local community and NGOs. Collaboration and the sharing of cross sector knowledge is one of the key benefits of the group; we are able to share details of the water conservation programmes operating in our mills and learn of other successful projects being implemented by our peers.

In 2012, we helped students from Jakarta to broaden their knowledge of water management issues. Part of our plans for 2013 includes working with World Vision Indonesia to address waste management in slum areas of the city that are particularly prone to flooding.

As part of our flagship conservation programmes, we invest in water related projects. For example, in the Giam Siak Kecil – Bukit Batu Biosphere Reserve in Sumatra, where the main source of water for community use is peat water, the project led to the development of a peat water purification system to turn unpalatable peat water into a safe drinking source. The project was conducted in partnership with the UNESCO's Man and Biosphere Programme (MAB) Indonesia along with the Indonesia Institute of Sciences (LIPI). In the village of Tanjung Leban which is part of the transition zone in the GSK-BB, villagers have traditionally relied on peat water for all of their daily water needs. Finding access to clean water was a constant challenge. The project set out to develop and commission a community-based water purification device, known as IPAG60.

Prof. Dr. Ir. Y. Purwanto of MAB Indonesia - LIPI, said, "For a long time, communities in the transition area of GSK-BB have had to use peat water for their daily consumption. This is not healthy as peat water is very acidic and contains hazardous minerals. Using scientific study and technology, the system that we built, IPAG60, will provide clean, healthy water for communities around the GSK-BB Biosphere Reserve." At the end of 2012 we hosted a workshop, involving local and provincial governments to demonstrate what we had achieved and encouraged them to replicate the device in similar communities which lack the access to clean water now enjoyed in Tanjung Leban.

In 2012, APP worked with Habitat for Humanity Indonesia to develop a sanitation centre facility in Banten Province, close to the Indah Kiat Serang mill. Traditionally the local community relied on the local river for drinking and sanitation. This practice was unhealthy and an alternative water source was required so a community water and sanitation facility was built, capable of accommodating more than 200 families. The building of the facility was followed by a hygiene and sanitation campaign to raise the community's awareness of healthy practice in water use.

Our partnership with Habitat for Humanity Indonesia extends to other projects, including the rehabilitation of water sources in the Soran Ecotourism village, Yogyakarta. In 2012 we completed the rehabilitation of one water source and a further five are 75% complete. This project will improve access to both clean water and healthy sanitation for the community and for tourists to support the wider goals of the ecotourism project.



SORAN ECO-TOURISM

In a partnership between APP and Habitat for Humanity, Soran has been developed into the partnership's first eco-tourism village, as part of a \$600,000 project spanning three years. With 60%⁸ of the community living below the poverty line, the goal was to create a sustainable, self-sufficient tourism destination that protects and promotes local historic cultural traditions.

Achievements in 2012:

- 82 houses were improved or repaired, helping to improve Soran's visual appeal to tourists;
- Construction of a tourist information centre has begun;
- A Bamboo Runcing performance venue was installed;
- 6 village nature tracks have been rehabilitated and facilities installed;

INDAH KIAT SERANG

Indah Kiat Serang mill is situated on the outskirts of the town of Serang, 60km west of Jakarta. The surrounding area is largely used for subsistence agriculture and it continues to draw an increasing population as a result of employment opportunities at the mill.



We recognised the importance of supporting the livelihoods of the subsistence farmers around the mill, especially during the dry season when water supplies are limited. Since 2010, we have implemented a water pumping programme to help farming communities to access water from the river for land irrigation. Upon the request of local farmers, we have provided pumps in six districts around the mill so far. Since 2010, we have donated 19 pumps at a total cost of 180 million IDR. Each pump is capable of irrigating 20 hectares of land and provides valuable infrastructure and improved yields for the farming community. We discuss our plans with the local government before giving away any new pumps to ensure our contribution aligns with the overall development plan for the area.



Alleviating poverty is also a key focus for us at Indah Kiat Serang and wherever possible, we offer new sources of income to local people not directly employed by the mill. A recycled paper programme in partnership with Mitra Kreasi Handicraft, was set up in 2009 to offer youths in the Kragilan District the opportunity to gain experience in a microbusiness. Since its inception, the project has grown from strength to strength and APP continues to train selected craftspeople in handicrafts and business skills, with a focus on innovation and creativity. We provide the workers with rejected paper from the mill, free of charge, which they transform into imaginative products including tissue boxes, model boats, water bottle holders and picture frames. APP currently buys back the completed products; a business model that has been successful enough to provide the main source of income for the fifteen full time craftspeople. In 2012, \$5,000 profit was generated—an increase of almost 100% from that generated in 2011. The project won the Social Business Innovations Award in 2012 and we have involved the team in national exhibitions to showcase their work and the success of this particular CSR program. We hope that one day participants in the scheme will be able to buy our materials and make these products to sell in other places, therefore providing further opportunities to generate an income. We plan to expand this model to other APP mills in the group.



As a result of economic hardship, limited parental influence and lack of government resources, the seven districts around the mill are affected by low levels of education. We take this issue seriously at APP and we strive to ensure that children living in the communities around our mills receive a quality education. Indah Kiat Serang has run the National Foster Parent Movement scholarship scheme since 1997. Funds donated by our own employees have enabled elementary school children to buy books, uniform and other materials linked to their educational needs. To date, 2.8 billion IDR has been donated by the scholarship scheme, helping 28,000 children in seven districts obtain the resources they need in order to attend school and gain an education.



Reducing child mortality and improving the health of mothers are both Millennium Development Goals that we work hard to meet. In the Kragilan district adjoining Indah Kiat Serang, we run a mother and childcare programme three times a year in cooperation with the local medical centre, through which we provide medicines and nutrition. The continuity of the programme, which has been in operation since 2011, enables us to monitor and control the development of the mothers and children who attend, and we are therefore able to tailor our programme to meet their most pressing needs.

PINDO DELI

Pindo Deli's two mills operate on different sites in Karawang, West Java. Our community initiatives here align with local government programmes to ensure that we use our resources to best effect, tackling the challenges unique to the region. In 2012 our initiatives focused on the Millennium Development Goals of eradicating extreme poverty and hunger, reducing child mortality and improving maternal health.



In order to reduce child mortality and improve maternal health, we initiated the Healthy Infant competition. We work with 32 local medical centres to provide training and education for mothers with children below five years of age. The Healthy Infant Competition is a competition for children aged between three and five years where they are judged based on their health and wellbeing. 250 children joined the competition and the winners received a cash award, nutritional snacks and milk. The competition promotes the wellness of both the children and their mothers and helps to reduce the number of children suffering from malnutrition. It also included education to raise awareness of HIV/AIDS.



In conjunction with this programme, we run an annual seminar for mothers, focusing on nutrition and health in partnership with the local health department and the mill's local medical centre. In 2012, 50 women attended the events.

The area surrounding Pindo Deli has a relatively high level of people living with HIV and AIDS. The Government has an AIDS prevention committee whose aim is to make HIV and AIDS a more accessible talking point, rather than a taboo subject. In 2012 we cooperated with them to spread AIDS prevention messages amongst our employees that were attended by over 100 employees. As awareness raising is particularly important in young adults, 100 students were enrolled in the Little Doctor programme which included information on HIV/AIDS prevention.

INDAH KIAT TANGERANG

Indah Kiat Tangerang mill is located 30km to the west of central Jakarta in what used to be a rural location. However, following the expansion of Jakarta's suburbs the mill is now surrounded by urban and industrial development.



Environmental sustainability is important to us at APP, and where possible we aim to work with our host communities to improve the environment in the areas surrounding our mill. At Tangerang Mill we donate trees in support of urban reforestation projects in the city of Tangerang. In collaboration with the local government this project has improved local air quality and prevents flooding and has received a positive response from those in the surrounding area. In 2013 we plan to double the size of the reforestation project with a second phase of tree planting.



Growing concern around the increase in HIV infection is an issue that has been recognised by the World Health Organisation (WHO), and one that we take very seriously. At Tangerang Mill we have teamed up with the Indonesian Business Collaboration on Aids (IBCA) to run training and HIV tests for local residents.

INDAH KIAT PERAWANG

Indah Kiat Perawang is located in a 2,400 acre rural site in Riau Province, Sumatra. The mill is surrounded by nine villages with a collective population of 105,000, the majority of whom depend either directly or indirectly on the mill for their livelihoods.



In 2003 we began an apprentice programme for high schools in Riau Province, through which we provide a opportunities for students to undertake practical work or 'on the job' training in a variety of local (non-APP) companies. We offer meal allowances and employment injury insurance, lowering barriers to employment, and enabling the selected high school students to obtain placements in local organisations. To date, we have helped 150 students through the programme. We plan to implement a tracking system to monitor the long term prospects that the students achieve as a result of the programme.



At our House of Education facility in Indah Kiat Perawang, women from the local community work together to produce tenun ikat, a traditional woven cloth. APP provided the materials and training and the cloth is sold locally providing additional income to the community with the added benefit of maintaining well established cultural traditions. A total of 11 members, the majority of whom are women, are involved in this project, which forms part of our economic empowerment programmes in the region.

TJIWI KIMIA

Tjiwi Kimia is located near Surabaya in East Java. It is a relatively urban location and as such, APP recognises the need to stimulate economic growth and quality of life by providing improved infrastructure and regional development.



One of the ways that we are working to achieve this is through our House of Education or Smart House programme, which we run in conjunction with the Indonesian government. The programme aims to provide a network of after-school facilities for children, offering creative activities including arts and crafts, music and piano lessons, computer access, and a library including a small scale agri-business training facility. By the end of 2012, we had set up three House of Education facilities and our target is to create one more. The facilities offer full time employment to community members involved and an average of 80 students a day take advantage of the opportunities on offer.



Economic empowerment is a philosophy we strongly support. Community catfish farming is a project we are proud to support and improve the outlook of those involved. APP provides the ponds to establish the fish farm. We then provide eggs and nutrients and support the ongoing development of the farm. The catfish are sold locally and the profits retained by the community.

EKAMAS FORTUNA

Ekamas Fortuna is situated within Gampingan village, 35km South of Malang in East Java. In addition to looking after the welfare of our employees, our community work focuses on enhancing development opportunities within the village and on providing improved access to basic resources and infrastructure.



One of our core focus areas in 2012 has been the development of a small scale biogas programme - converting cattle waste into energy to power domestic cooking stoves in the villages of Gampingan and Sumberejo. Before the project was implemented, the villagers used firewood to cook - a traditional cooking method, but one that creates smoke hazardous to health, particularly in the confined spaces where food is normally prepared. In 2012 we installed three reactors, each of which produces enough gas fuel for two people to cook all year round. We have so far spent 49 million IDR, and in 2013 we plan to extend the project by installing a new type of 'dome' reactor in two locations, each of which will provide enough fuel for five people. Any remaining waste that cannot be utilized for gas production is used as a fertilizer.



Alongside the provision of energy, access to clean water is a top priority in the communities surrounding Ekamas Fortuna. To address the situation, we built a water storage tank and installed pipelines at Belur Wellspring in 2012 to improve water conservation and better distribute supplies of clean water to Sumberejo village. This work followed the previous construction of a reservoir at the spring, which has helped to ensure the provision of clean water, even in the dry season, allowing villagers to sustain their livelihoods and agricultural practices year round. Prior to building the water tank in 2012, we had already carried out a lot of work to reorganise the pipe work into the village to facilitate easier access to clean water.

LONTAR PAPYRUS

APP's Lontar Papyrus mill is located in a remote region, 137km from Jambi City. The mill is adjacent to Tebing Tinggi, a large village settlement and our work primarily consists of projects to enhance community development and empowerment.



In 2012 we began our farm education programme, which seeks to build capacity within the local community and empower residents to become self-sufficient and obtain a long term steady income. The programme is modelled on a similar initiative at Indah Kiat Perawang. We have taken their best practice approaches and tailored them to the needs of the community at Lontar Papyrus. The programme includes the provision of cows and fish, and facilities to grow fruit trees and mushrooms. The fish are raised and harvested, the cows bred and milked and the mushrooms and fruit grown and sold. The profits from all of these activities provide a steady income for the six full time employees that have been hired from the local area to manage the community development programme. A proportion of the profit is also reinvested into infrastructure and the acquisition of new animals to expand the programme. In 2012 we donated six cows to the project and we have reinvested some of the profits from the programme into building more houses for the mushrooms. We also hold fishing competitions and the local government farming department has used the farm for their own training. Local people can also use the facilities to learn new agricultural skills, and children are able to camp on the site.



As well as helping to provide employment opportunities and boosting the skills of the local community, we also invest in the renovation of houses in the residential areas surrounding the mill, to ensure that houses are safe and fit for purpose. Up to five people generally live in each house and consequently, overcrowding can be an issue. We select houses that do not have roofs or still have earthen flooring, and we employ the local community to carry out the renovation work. Collaboration with local residents is key to the successful delivery of the project and in 2012 we completed renovations on 10 houses.

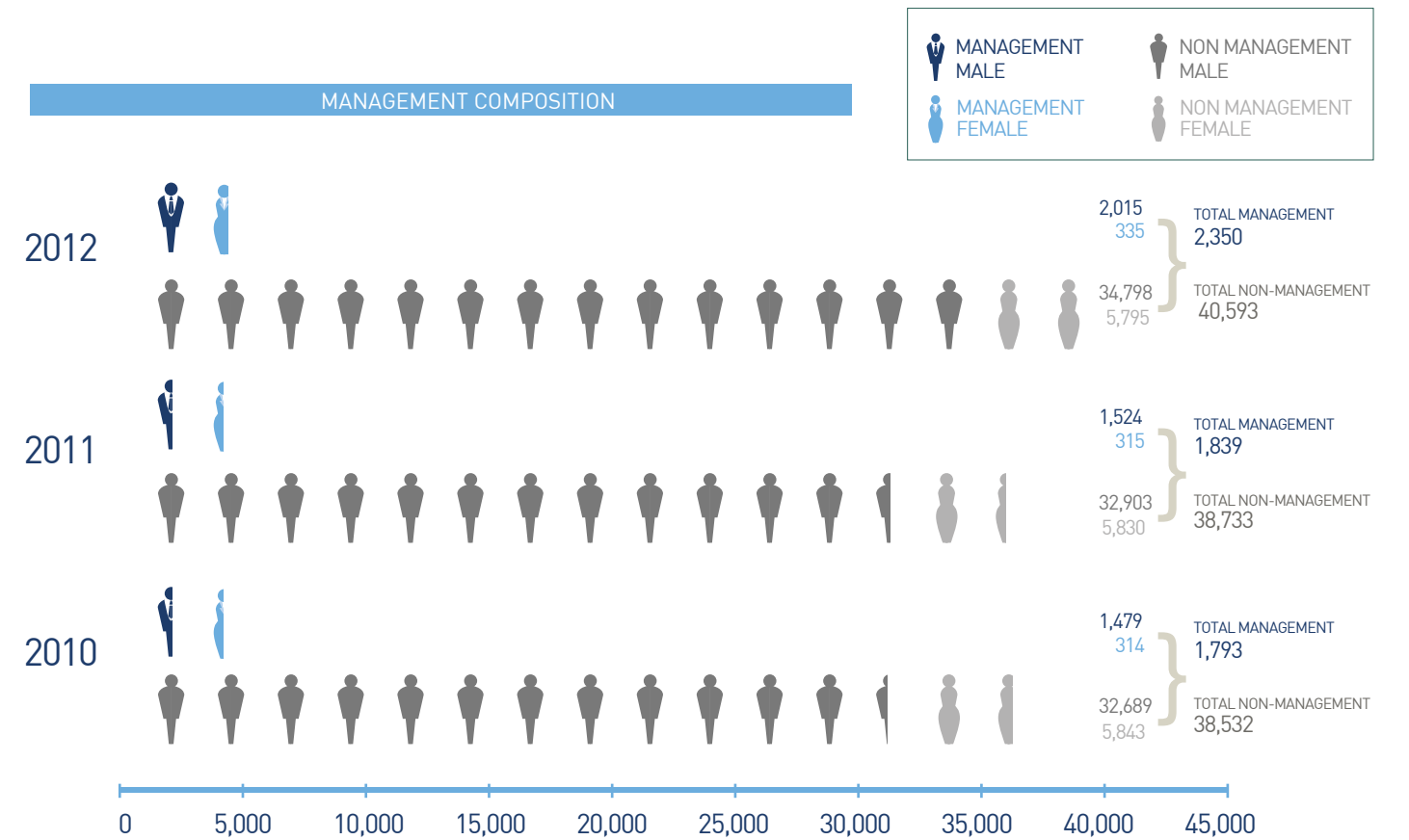
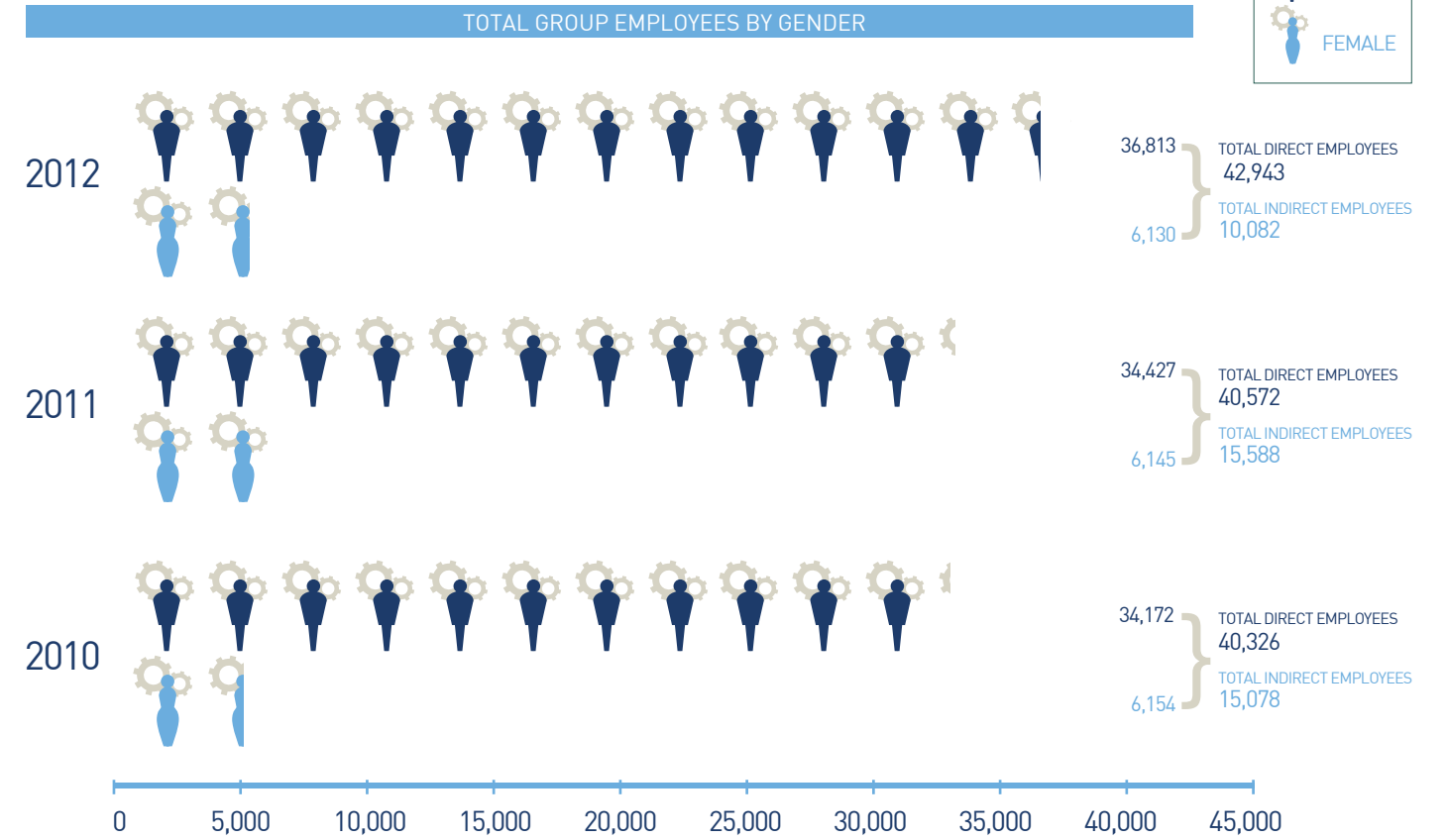
Building on our residential renovation work, we have also partnered with several other companies in 2012 to renovate the area. Projects will be divided up between the companies involved, and Lontar Papyrus Mill will be rebuilding two rooms in a local elementary school. In addition, we have been involved in the renovation of ceilings and walls in a local mosque.

CHAPTER 7 PEOPLE

AT APP WE RECOGNISE OUR RESPONSIBILITIES TO BOTH OUR OWN EMPLOYEES AS WELL AS THE COMMUNITIES SURROUNDING OUR MILLS.



CHAPTER 07



| EMPLOYEE WELFARE | | |
|-----------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------|
| Provide a healthy & safe work environment for APP employees. | On track | Report statistics in line with GRI, all mills to be certified to OHSAS 18001 by 2020. |
| Maintain employee satisfaction to ensure that APP attract and retain talented and competent people. | Implementing | Developing a group wide employee satisfaction survey and Human Rights assessment. |

EMPLOYEE WELFARE

Employees are guided by the APP Employee Welfare Policy which was updated as part of our roadmap commitments in 2012.

Our employee base pay across all our mills is equal to the local minimum wage. The actual ratio varies by mill and is affected by various economic factors at each location. Our remuneration and wider benefits provided to employees seek to be competitive in the marketplace and retain talented employees. Pension provisions for all employees follow the Indonesian government regulation, Jamsostek. The company also provides annual holiday entitlement, medical benefits and an incentive plan for outstanding achievement. We actively support employees at the end of their career, helping them with their transition into retirement or re-training them with additional skills. Support offered varies between mills and includes additional internal training courses or funded external training courses and retirement pay that take into account age and length of service.

Offering stable employment opportunities brings significant economic benefits to the communities linked to our operations. We carried out a social footprint assessment in 2008 which helped us to understand our impacts and focus our community investments in the areas that required it the most. We will begin to update this assessment in 2013, initially starting with our forestry operations. For details of the findings of the assessments see page 40 in the Community Engagement section of this report.

The male to female ratio across our group is 86:14, reflecting a small decrease in the proportion of females working in the company from 2011 when the ratio was 85:15. The high proportion of males in the workforce reflects historic trends in the paper industry and the manual nature of many of the job roles. APP seeks to provide equal opportunities to all employees, as stated in our Employee Welfare Policy. Our approach is reflected in the salary we pay to employees; basic salary is identical for male and female employees. Women represent 14% of management roles, a small decrease from 2011 (17%).

In 2012 no closures or major operational changes took place that resulted in a significant reduction of the workforce at our mills. In the event of operational changes APP would allow a minimum of 7 days' notice, as per Government of Indonesia regulation.

37% of our senior management team in 2012 were hired locally. Our policy is to hire based on suitability for the role, and if candidates are of equal skill then we will always favour the local applicant who is from the same island as the mill.

APP believes all employees have the right to establish and join organisations of their own choice. All employees are free to associate themselves with the relevant union for their role, and our management teams work closely with union representatives. This is reflected in the high proportion of our employees who belong to a union (88%). All employees are covered by collective bargaining agreements.

HEALTH AND SAFETY

Our Health and Safety goal across all of our plants is zero accidents. Many of our employees work with heavy and potentially dangerous machinery, and as such, we are committed to providing as safe a working environment as possible. Our management approach at group level includes the adherence of every one of our mills to SMK3, a mandatory management system in Indonesia for companies employing over 100 workers to enforce health and safety standards. It requires companies to conduct a preliminary assessment of working conditions, monitor and evaluate the company's progress against SMK3, and consider inputs from workers. In addition, our goal is to achieve OHSAS18001 certification in all of our mills by 2020. In this reporting period, Indah Kiat Tangerang and Pindo Deli Karawang have held OHSAS18001 certification.

Beyond this, each of our mills has a team that manages health and safety in their own way, depending on the high priority issues unique to their particular mill. To help improve standards across all of our mills, we introduced the APP Health & Safety Improvement Program, through which each mill shares best practice approaches to health and safety with other APP mills. In 2012, six of our employees tragically lost their lives in work related incidents at Indah Kiat Perawang, Indah Kiat Serang, Tjiwi Kimia, and Pindo Deli Karawang. Three of these deaths involved incorrect use of dangerous machinery, and three were as a result of traffic accidents to or from work. In response, we have implemented a number of mitigating actions in our mills to address the common causes of accidents, including additional health and safety training and safety inspections within the mills, as well as training on safe driving and new speed limits within the mill boundaries.

At Indah Kiat Perawang, we introduced a new initiative in 2012 called 'five minutes for safety'. The idea is that before doing anything new, every worker must take five minutes to discuss how to do the work safely. Moreover, additional warning signs have been installed at many of our mills, and the provision of Personal Protective Equipment (PPE) has been enhanced.

Traffic is a big challenge during rush hour in some of the areas where we operate, and it is something that we are working hard to address. For example, at Indah Kiat Serang, we use an identification system for all employees' vehicles. During rush hour, the mill's safety department monitors the most accident prone areas, and if employees are found speeding or not wearing their helmets, they will be briefed on safety the following day.

A new incident reporting system has been introduced at Pindo Deli Perawang since November 2012 which requires incidents to be reported within three days. The system will allow the mill to compile much better data on accidents and other incidents. We have implemented a project in 2012 by which each mill has their health and safety management system reviewed by HQ who review it and suggest improvements based on best practice.

In addition to our own employees, our mill operations depend on a large number of contractors. Our approach to contractor safety varies at each of our mills and depends on the nature of operations. We are responsible for contractors, unless the scale of an investment project is large enough to necessitate the use of third party assistance.

We provide regular health and safety training to improve the vigilance and capabilities of our employees. In 2012, we provided 1.1 million hours of training, covering over 115,973 individual employee courses. Training includes general health and safety, fire safety, first aid, emergency response and road safety. The frequency and level of training provided depends on the predominant issues at each of APP's individual mills. We also communicate health and safety messages through screen savers, posters and meetings at all our mills.

All of our mills have a joint safety committee, representing our entire workforce. The role of the committees is to act as a liaison between employees and senior management on issues of safety and provide regular updates of incidents.

Mill management works with the relevant unions on a variety of issues with health and safety being a key subject. Typically the topics discussed include training, education and provision of personal protective equipment.

At APP we recognise our responsibilities to both our own employees as well as the communities surrounding our mills. We do this by engaging and empowering our internal and external stakeholders, and building capacity within local host communities in order to enable both employees and local residents to achieve a long and prosperous life. The majority of our employees live in the areas surrounding our mills, and it is therefore in our interest to create a clean, safe and successful environment in and around our mills, to maintain good relationships and goodwill towards APP.

In 2012 we directly employed 42,943 people and 10,082 people indirectly. All of our employees work on a full time contract either at one of our mills or at our head office in Jakarta. The majority of our employees are on permanent contracts. Fixed term contracts apply to 7% of our workforce and typically these contracts last for a two year period.

Our employees are key to the success of our business. As our employees drive the business and make it successful, their welfare is of paramount importance.

APP is one of Indonesia's largest employers, and at the end of 2012 we had a total workforce of 42,943 people. We are major employers in the regions where our mills are located and this is particularly evident in some of the more remote regions that we operate, where local communities have become heavily reliant on the employment opportunities offered by our mills. We indirectly support a much wider community through the opportunities that are created through our suppliers and other services. Our supplier base creates a magnet for other companies too, bringing both economic and social benefits through additional employment. This is particularly the case for the more remote mills such as Lontar Papyrus and Indah Kiat Perawang.

Health and wellbeing is important to us at APP because a lot of the work at our mills involves the use of dangerous machinery, chemicals and heavy lifting. By making healthcare facilities more readily available, we can help to improve the health and wellbeing of our employees, reducing the number of lost days. There is at least one medical clinic on site at all of our mills, available to both employees and their immediate families. Annual health check-ups, including screening for occupational diseases, are compulsory for all of our mill based employees. At all of our mills, members of the local community are also eligible for the health programmes. They can access our clinics and are able to take part in a range of health related campaigns.



| | 2012 |
|-----------------------|------|
| INJURY RATE | |
| Male | 5.7 |
| Female | 1.8 |
| FATALITIES | |
| Male | 5 |
| Female | 1 |
| LOST DAY RATE | |
| Male | 54.7 |
| Female | 260 |
| ABSENTEE RATE | 437 |
| FREQUENCY RATE | 21.3 |
| SEVERITY RATE | 315 |

As part of the development of our reporting we have aligned Health and Safety reporting data fully to the relevant Global Reporting Initiative (GRI) indicators. From this report onwards, we will compile data in line with GRI guidance to enable annual trends to be identified. In line with Government of Indonesia guidelines, occupational disease is recorded within the injury statistics.

ATTRACTING AND RETAINING TALENT

We intend to continue attracting and retaining talent from the communities in which we operate, as well as from outside local hinterlands. By offering competitive salaries, career development, paid leave, performance management, health insurance, and pension and scholarship programmes, we aim to make APP an attractive place to work. Other benefits offered include life insurance, bonus schemes and sabbatical leave. A number of benefits are only available to permanent employees which are determined by each mill individually. Paid leave is generally not offered to temporary employees.

One of the biggest issues we face is attracting young people to our workforce as location is becoming more of an issue and younger people are less willing to commute for long periods of time. To combat this we have increased the daily allowance for workers who are assigned to a role outside the mill in which they are based, and we raised our rewards and incentives for higher performing staff in 2012.

Retention rates for females under 30 improved between 2011 and 2012 with the figure for males remaining the same. We expect to see the male retention rate to improve as our improvements take effect.

Return to work rates after parental leave in 2012 were 96% and 88% for male and female employees respectively. In line with GRI reporting guidelines, we will now also record and monitor the retention rate of employees after 12 months. In 2012 this was 73% for male employees, and 52% for females.

The APP Employee Welfare Policy includes commitments covering harassment or discrimination in our employment practices, whether it is based on gender, ethnicity, religion, race or disabilities. We do not tolerate discrimination of any form and no such incidents were recorded in 2012. This commitment is emphasised in each mill's Collective Labour Agreement which also contains a mechanism to report any grievance regarding harassment of any kind.

Employee feedback is actively encouraged via our dedicated online portal, i-suggest. We encourage a wide range of feedback, from employment issues through to suggestions to improve the performance of our mills. If feedback requires mitigating actions we address these as we are made aware of them.

| RATE OF NEW HIRES | | 2012 | | 2011 | 2010 |
|-------------------|-------|-------------|----------------|------|------|
| Age | | Total | Rate | | |
| Age | <30 | 2,379 | 7.5% | 7.9% | 6.2% |
| Gender | M/F | 2,039 340 | 4.8% 0.8% | | |
| Age | 30-50 | 828 | 1.9% | 1% | 0.9% |
| Gender | M/F | 778 50 | 1.8% 0.1% | | |
| Age | →50 | 15 | 0.03% | 0.1% | 0% |
| Gender | M/F | 14 1 | 0.03% 0.002% | | |

| TURNOVER RATES | | 2012 | | 2011 | 2010 |
|----------------|-------|------|----|------|------|
| Age | | Rate | | | |
| Age | <30 | 2% | | 4% | 3% |
| Gender | M/F | 3% | 1% | | |
| Age | 30-50 | 2% | | 2% | 2% |
| Gender | M/F | 3% | 1% | | |
| Age | →50 | 0% | | 0% | 0% |
| Gender | M/F | 1% | 0% | | |

TRAINING

| HOURS OF TRAINING PER EMPLOYEE | 2012 | 2011 | 2010 |
|--------------------------------|------|------|------|
| Management | 5.8 | 14 | 3 |
| Non-management | 2.5 | | |
| Male | 2.9 | | |
| Female | 1.7 | | |

We rely on the commitment, motivation, skills and knowledge of our employees to enable our business to prosper and grow. In order to nurture these skills we offer training programmes in a number of different topic areas, tailored to the needs of each specific mill. In 2012, we conducted 5 training hours per employee across all of our mills. All employees received regular performance reviews in 2012.

We provide regular development and training opportunities to all of our employees, creating a workplace that is continually learning and developing. This also helps us to retain our talented employees, another of our key goals. In 2012 we set up three new training centres at our Indah Kiat Serang, Tjiwi Kimia and Indah Kiat Perawang mills, which has allowed us to significantly expand our training offering to the extent that we now offer our own curriculum with 85 modules.

We also believe in empowering our employees and giving them the tools to be successful in their everyday lives outside of the workplace. We therefore offer personal development training topics such as Positive Mental Attitude, Family Goal Setting, and Financial Management. In addition to this, we consider it is important to look after our employees after retirement. Our pre-retirement training programmes equip our employees with the key skills needed at the end of their working careers, such as financial planning.

HUMAN RIGHTS

Ensuring that the behaviour of both our own operations and that of our suppliers is in line with national and international standards of human rights forms a key part of our roadmap commitments. We adopt the United Nation's "Protect, Respect and Remedy" framework, acting responsibly and with due diligence to avoid infringing on the rights of others.

We have established a clear plan with goals along the way that will help APP to deliver on our commitments. Our benchmark will be international best practice while remaining relevant to the Indonesian circumstance. We will leverage the influence that we have through our employees, suppliers, customers and operations, to realise our responsibility to respect and contribute to the development of human rights in Indonesia.

With regards to understanding the upholding of human rights within our operations an in-line with the United Nations Guiding Principles on Business and Human Rights, our first step was to complete a company-wide human rights assessment as a due diligence process to assess our current conditions and identify the gaps that we need to work on. This covered our own operations (all eight mills included in this report) and that of our most significant suppliers, Arara Abadi and Wirakarya Sakti. This demonstrates APP's recognition of the fibre supply chain as one of the main risk areas for the company in terms of Human Rights violations, while at the same time offering us the greatest opportunity to make a positive impact through our actions.

The findings of this initial audit told us that APP has adequate systems and procedures in place for most aspects of human rights. However, we need to better integrate these systems to improve monitoring and our speed of response to any issues raised.

We also found that we needed to strengthen grievance mechanisms and work harder at building capacity amongst the teams most exposed to issues relating to human rights.



We responded by including human rights topics into many training courses we provide for our employees, such as health and safety, training for labour unions and contractors and raising awareness of laws and regulations relevant for our employees. Human Rights are also incorporated into induction training in which all employees participate. In 2012, 2,846 employees took part in this training, totalling 53,806 hours across all the induction courses at our mills.

Additional steps we took in 2012;

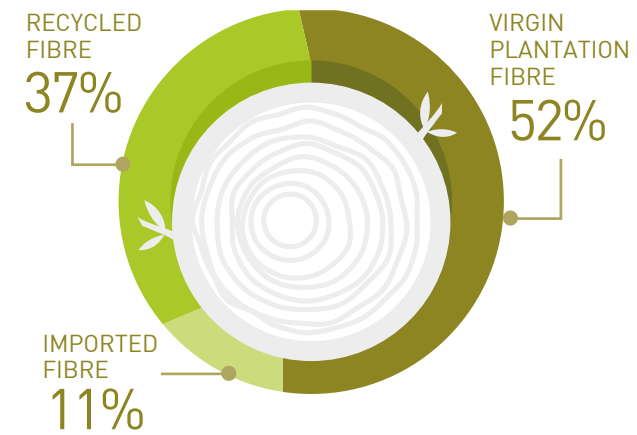
- Developed response priorities based on the adversity of the potential impact;
- Developed mitigation plan for the risks identified;
- Developed APP Strategy on Human Rights Compliance document as an internal guideline for continuous improvement;
- Reviewed relevant internal policies and develop new policies/adjust existing policies to meet the requirement of UN Guideline ;
- Developed internal code of conduct relevant with the principles of UN Guideline on business and human rights;
- Disseminated risk assessment result, new policies and strategy to relevant PICs at mill level, covering all mills;
- Develop an organisational structure for integrated human rights monitoring, reporting of incidents and grievance mechanism.

Prior to the developments in our approach to Human Rights in 2012, many issues were already high up our agenda. Contracts with all 33 pulpwood suppliers include human rights clauses including restrictions on working hours and child labour. In 2012 this represented 46% of our raw materials covered by such clauses.

CHAPTER 8 SUSTAINABLE FIBRE SOURCING

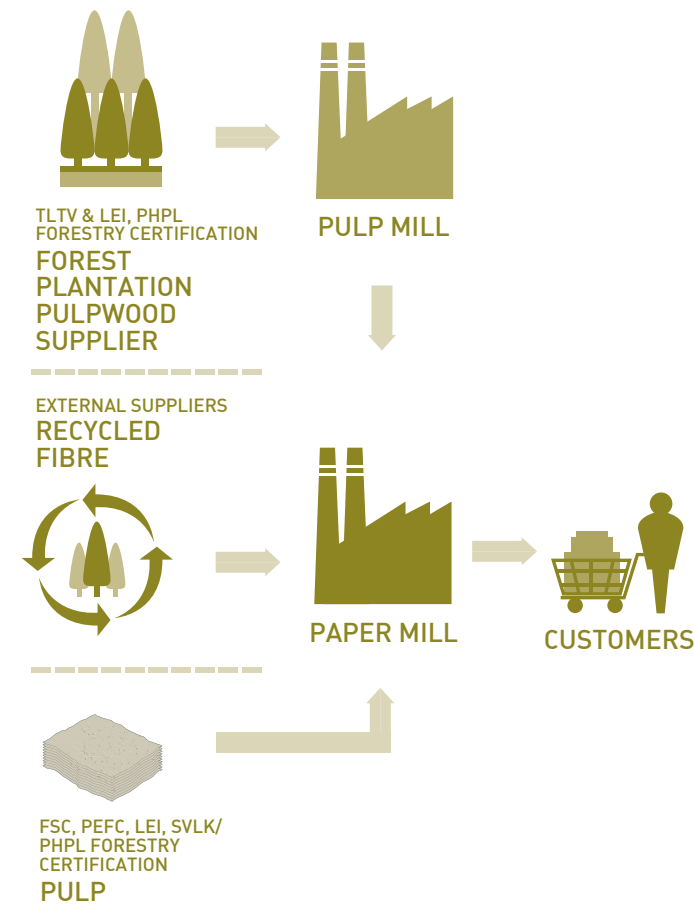
AS A PULP AND PAPER COMPANY OUR MAIN RAW MATERIAL IS WOOD FIBRE, PREDOMINANTLY VIRGIN FIBRE FROM PLANTATIONS IN INDONESIA ('LOCAL PULP'), AS WELL AS RECYCLED FIBRE AND IMPORTED FIBRE IN THE FORM OF PULP. WE ENSURE THAT ALL OF THESE SOURCES ARE ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE, AND CAN PROVIDE A SECURE AND LONG TERM SUPPLY OF RAW MATERIAL FOR OUR MILLS. WE USE THIRD PARTY CERTIFICATION, FIBRE PROCUREMENT POLICIES AND INDEPENDENT ASSESSMENTS AS KEY ASSURANCE TOOLS.

FIBRE SOURCES FOR PAPER PRODUCTION

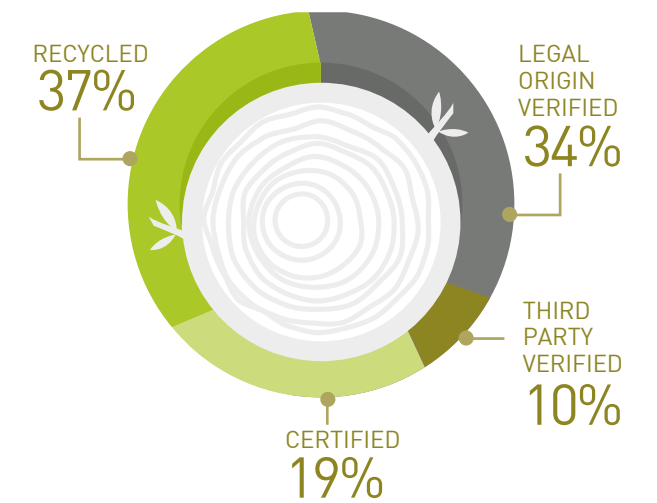


A sustainable paper value chain usually utilises a range of fibre sources, determined by the type of end product and the availability of raw materials. Recycled waste fibre is used at three of our mills. The recycling infrastructure in Indonesia is limited so we also import 11% of our waste fibre. Virgin material will always be required to maintain the paper manufacturing cycle, because fibre can only be recycled five to seven times before it is no longer of sufficient quality to produce paper. 52% of our virgin raw material comes from plantations based in Indonesia, processed in our own pulp mills and supplied to APP paper mills. The remaining 11% is imported in the form of pulp.

CHAIN OF CUSTODY



FIBER SOURCES TO PAPER MILLS - 2012



LEGAL ORIGIN VERIFIED
Legally sourced fibre through LEI CoC/LoV and TLTV.

THIRD PARTY VERIFIED
Local and imported Non-controversial sources based on PEFC standard

CERTIFIED
LEI and PEFC CoC certified

RECYCLED
Post consumer waste

RECYCLED FIBRE

Post consumer waste makes up 37% of the raw material. This mostly comes from newspapers, magazines and packaging products from the waste collected by our suppliers in Indonesia, Asia, Europe, Australia, New Zealand, USA, Canada and the Middle East.

IMPORTED FIBRE

In 2012 11% of the virgin pulp used by our mills was imported. We apply the same strict standards to these sources of material as that of our pulpwood suppliers, using third party certification against international standards such as PEFC. Legally verified material is the minimum standard for all material used by APP, irrespective of source.

PEFC

The Programme for the Endorsement of Forest Certification (PEFC) scheme is one of the leading global standards in forestry certification and the world's largest in terms of the area of certified forest. The scheme endorses national certification schemes by assessing them against the sustainability benchmark criteria set by PEFC international.

In order to provide assurances that wood and wood-based products originate from sustainably managed forests, PEFC promotes Chain of Custody (CoC) certification. [insert link to PEFC website: <http://www.pefc.org/certification-services/supply-chain>]

CHAIN OF CUSTODY

Common to all of the third party certification schemes is a chain of custody system that demonstrates traceability from the fibre source through the production process to the final product that reaches our customers. Not only does it provide traceability of the fibre we procure, but it increases the visibility we have of our supply chain and reduces the risk of illegally sourced fibre entering our mills.

Chain of custody is itself a third party audited standard, and each company within the supply chain, from pulpwood supplier, mill and distributor, is required to demonstrate the ability to manage physical and documented traceability of fibre through their process.

When pulpwood or pulp arrives at our mills it is visually inspected and checked against the delivery documentation before it is allowed on site. LEI and PEFC schemes, amongst others also require that certified material is stored entirely separately. Our pulp mills also check for any tree species which are listed as protected or are not suitable for pulp production, any such material is quarantined and the supplier notified of their non-conformance and an explanation sought for this material being delivered to our mill.

LOCAL VIRGIN FIBRE

Our main sources of virgin fibre are forest plantations in Indonesia. This is an on-going and unique challenge for us, because so much of Indonesia's forestry is based around critical and sensitive ecosystems that have a global significance. Our suppliers and in turn, APP, have a responsibility not only to protect and preserve these delicate forests, but also to help build a sustainable industry to benefit everyone, by helping to provide sustainable growth and financial security to the wider society.

Our approach to sourcing sustainable virgin fibre should be considered in the context of Indonesia's forestry policy. Plantation development, regulated by the Government of Indonesia, started 27 years ago – a comparatively short time relative to other areas of the world. This development involves planting fast-growing species on government-owned land that has previously been degraded by illegal logging, poor forestry practice or forest fires. Rather than leaving trees that have not been removed to decay, which could lead to the release of damaging carbon emissions, it is leased by the government to concessions, who develop plantations to produce timber for use in industry. Significant growth in plantation forestry began in the mid-1990s, primarily driven by the timber and rubber industries.

Indonesia's challenge is to manage the growth of plantation forestry, while protecting the rich biodiversity of the natural forest. For development to be sustainable we must balance economic advancement with respecting areas of high social and environmental sensitivity. The global environmental significance of tropical forest ecosystems, ensure that this is very important for the future of Indonesia and society as a whole. Addressing this challenge through the management and influence we have on our pulpwood suppliers forms the backbone of our strategy and our roadmap goals.

MAP OF APP CONCESSION



- Locally sourced Indonesian virgin fibre makes up 52% of our pulp used for paper production.
- APP sources its pulpwood in Indonesia from production forest concession areas. The concession owners have been issued with permits from the government of Indonesia to manage and develop these state-owned production areas into industrial plantation forest. Permits last for between 60 and 95 years⁹.
- At the end of 2012, APP's pulpwood suppliers managed 2.6 million hectares, equal to 1.3% of Indonesia's total land mass.
- For paper pulp production, the typical species planted are acacia and eucalyptus.
- In total there are 33 companies that provide pulpwood to APP.

APP FOREST CONSERVATION POLICY (FCP)

A CORE PART OF OUR ROADMAP IS THE PUBLICATION OF DETAILED QUARTERLY UPDATES WHERE WE PRESENT A SUMMARY OF OUR ACHIEVEMENTS, CHALLENGES AND NEXT STEPS FOR EACH THREE-MONTH PERIOD. THE FIRST OF THESE PROGRESS REPORTS WAS PUBLISHED IN SEPTEMBER 2012.

On February 5th 2013, APP announced a new Forest Conservation Policy (FCP) which all pulpwood suppliers are required to adhere to. This accelerated by two years the fibre sourcing commitments originally set out in June 2012, as part of APP's Sustainability Roadmap Vision 2020. The FCP also set out new requirements on our suppliers in the area of peatland management and conservation, responsible global fibre sourcing, and social and community engagement. Most notable was the complete cessation of natural forest harvesting, effective from end of January this year.

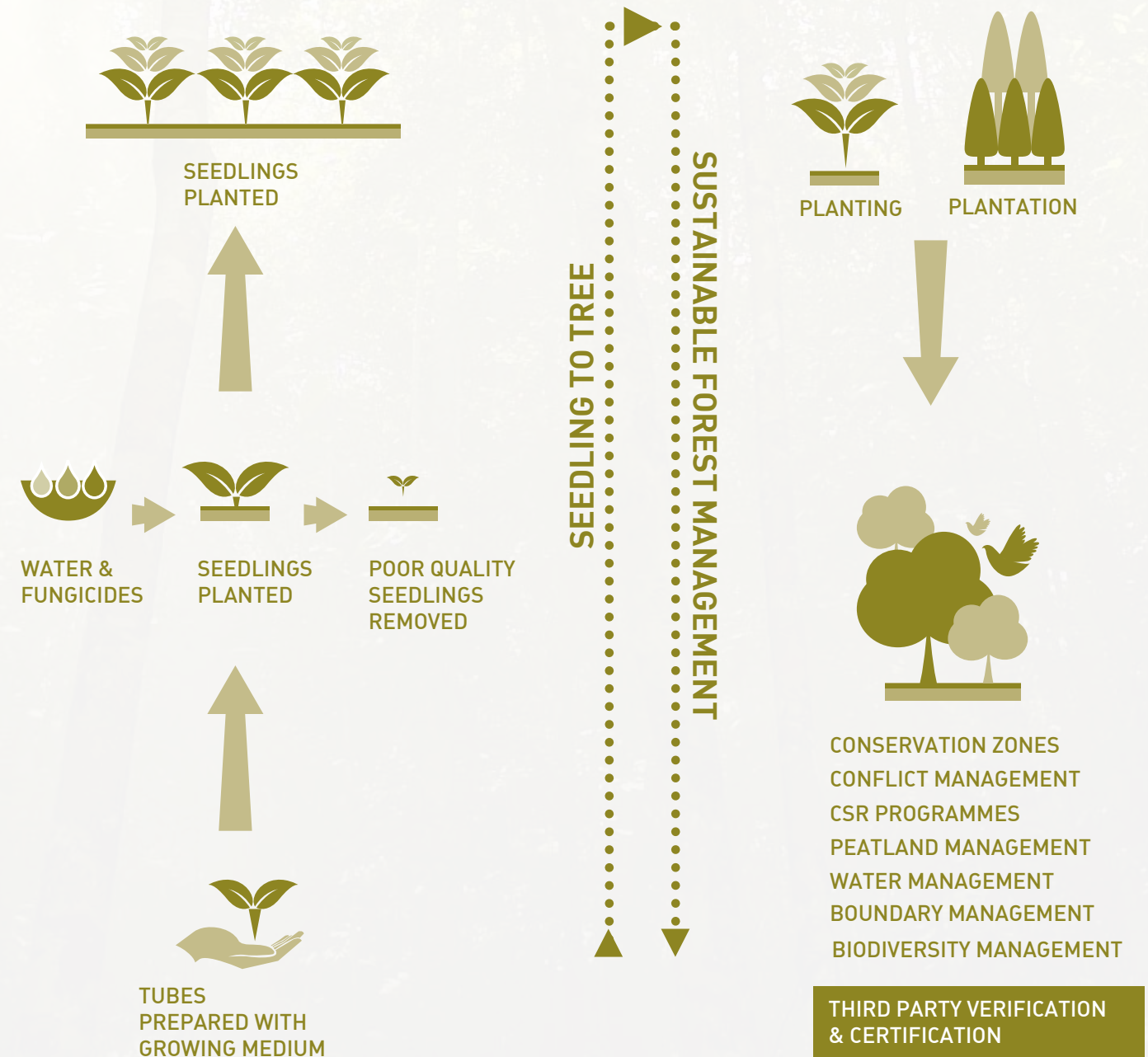
As of February 2013, APP has invested considerable resource in supporting our pulpwood suppliers in implementing these commitments. These ambitious commitments are unprecedented – both within the pulp and paper sector, Indonesia and globally – and ensure that 2013 was a watershed year for APP's long-term sustainability strategy and for its stakeholders. As a result, the Forest Conservation Policy affects a number of the commitments and performance targets reported in APP's 2012 Sustainability Report. These commitments have now either been brought forward or strengthened and considerable progress has been made.

COMMITMENTS AND TARGETS AFFECTED BY THE 2013 FCP INCLUDE:

- NO-DEFORESTATION:**
 on February 1st 2013, APP introduced a moratorium on all natural forest clearance across all 38 supplier concessions in Indonesia. The moratorium is in place across an area of 2.6 million hectares of land.
- HIGH CONSERVATION VALUE (HCV) AND HIGH CARBON STOCK (HCS) ASSESSMENTS:**
 HCV and HCS assessments are now being undertaken across all 38 of APP's suppliers' concessions in Indonesia. All HCV and HCS areas identified will be managed and protected by the respective supplier, as part of their Integrated Forest Management Plan (IFMP).
- MIXED TROPICAL HARDWOOD:**
 as of August 31st 2013, APP's mills were no longer accepting any natural forest wood from our suppliers cut prior to the February 2013 moratorium.
- FCP MONITORING AND REPORTING:**
 since the introduction of the FCP, APP has introduced additional transparency measures to report on implementation of the FCP. That includes an online FCP monitoring dashboard – a real time on-line tool that allows interested parties to track our suppliers' progress in implementing the FCP alongside the regular Progress Updates published by APP's non-profit implementation partner, The Forest Trust (TFT).

Full details of the FCP policy commitments can be found on our website: <http://www.asiapulppaper.com/sustainability>

PLANTATION DEVELOPMENT



VISION 2020 SUSTAINABILITY ROADMAP

A core part of our roadmap centres on a commitment to use only 100% sustainable fibre in our mills. We are dedicated to communicating our progress in this area, highlighting successes and challenges along the way¹⁰.

| FIBER SOURCING | | |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 100% independent 3 rd party verification (minimum requirement is verification against at least one scheme) for pulpwood legality. | Ahead of target | Accelerated progress and achieved by end 2012 |
| Zero High Conservation Value Fibre. | On track | APP suppliers in 2012 stopped all conversion of natural forest into plantation pending the HCVF assessment result |
| 100% sustainable plantation wood for pulp by 2015, subject to maximum tolerance of 5% for waste and residue (2012 target 12%) | Ahead of target | Ahead of target, MTH accounted for 11% of raw material in 2012 |
| 100% Sustainable Forest Management (SFM) certified pulpwood. | On track | 57% PHPL Mandatory Certification (45% in 2011), 29% LEI SFM Certification (26% in 2011). additional steps being taken to increase fibre certification availability |
| Maintain a sustainable proportion of recovered fibre in addition to renewable virgin Fibre. | On track | In 2012 37% of our raw material was from recycled sources (31 % in 2011) |

TFT – A CRUCIAL PARTNER

We have invited an independent third party to advise, observe and comment on our commitments and our suppliers' progress. We began working with The Forest Trust (TFT), a global non-profit organisation in February 2012. Their role is to provide technical and strategic advice on issues around High Conservation Value Forests, community conflicts and wider social and environmental issues. They supported us through the development of our Sustainability Roadmap Vision 2020, scorecard development and HCVF and Forest Moratorium.



The partnership is designed to maximise the level of transparency between ourselves and TFT as well as with our stakeholders. APP will provide TFT with all the data they require and full access to our operations, and that of our suppliers, to allow them to advise on and critically assess our progress.

After our agreement was signed TFT visited our pulp, paper and forestry operations to carry out a gap analysis against the highest international standards. They identified our core issues and the management systems in place to address these, before setting an action plan in place to improve our approach. The focus for 2012 was on protecting high conservation value forestry and developing a deeper understanding of social conflict to form a baseline for future commitments.

SCORECARD DEVELOPMENT

In September 2012 we began using a scorecard with our pulpwood suppliers that indicated where they stand against our goals and identified areas for improvement. Where suppliers have not scored well, our response is not to immediately withdraw from the relationship. Rather, the scorecard identifies areas where we can help them to improve over an agreed time period, usually up to one year. If they continue to fall short of our requirements we will terminate our supply contract. Consequently, we believe that the scorecard is a vital tool to help us assess compliance against the standards we have outlined in our policy.

PROTECT AND ENHANCE

Over the past decade, APP has built and implemented a broad-ranging sustainability strategy to preserve critical aspects of Indonesia's precious natural resources, high conservation areas and biodiversity. Its commitment to adopt the internationally-recognized standards for High Conservation Value Forest form one of the most important pillars of APP Sustainability Roadmap.

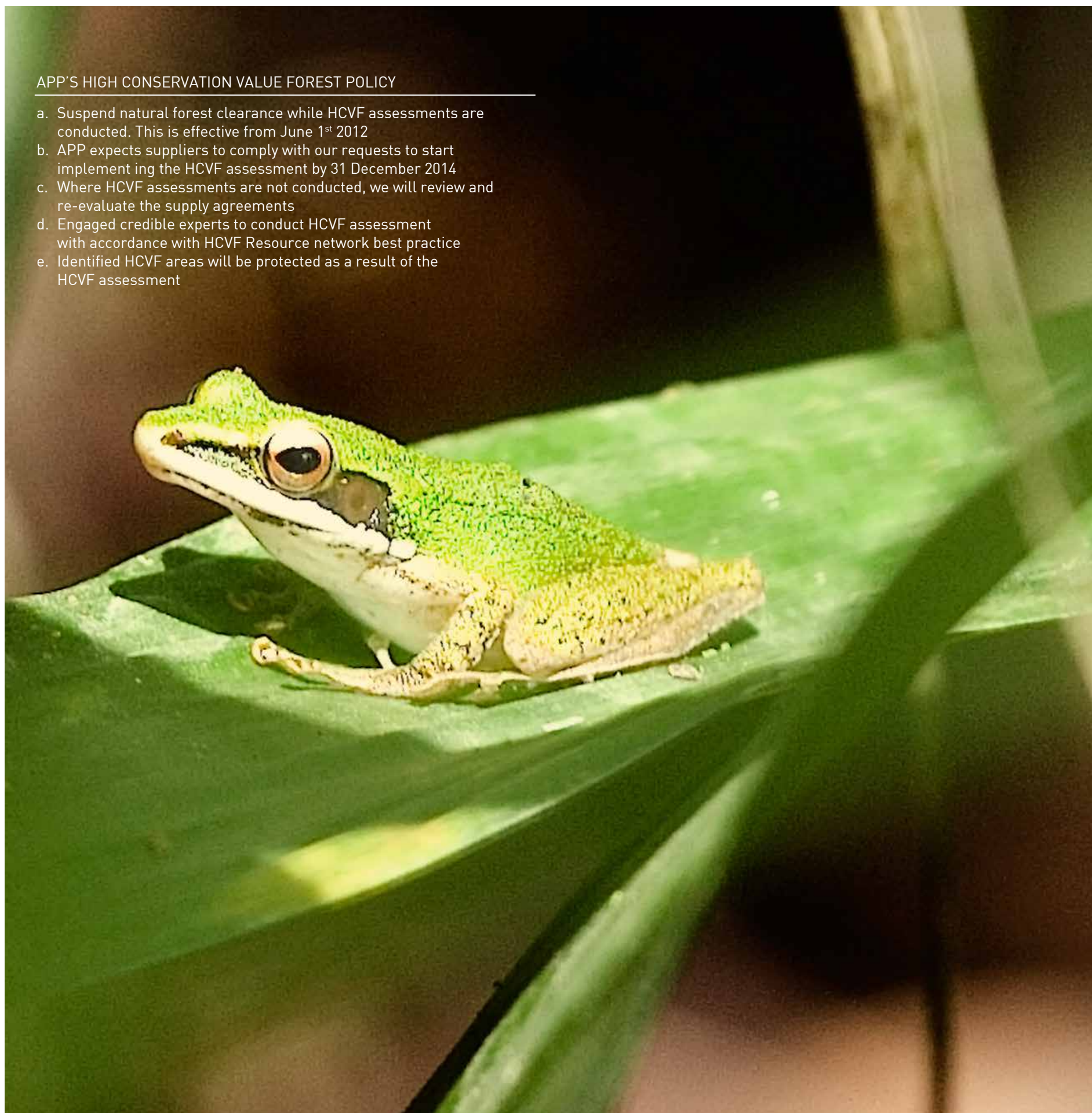
WHAT ARE HIGH CONSERVATION FORESTS?

High Conservation Forests, or HCVF, is a term originally used by the Forest Stewardship Council (FSC) to describe a forest with one or more of the following;

| INDICATOR | DEFINITION |
|-----------|-----------------------------------------------------------------|
| HCV1 | High biodiversity value |
| HCV2 | Significant ecosystem with high ecological value |
| HCV3 | Rare or endangered ecosystem |
| HCV4 | Provides high value environmental services |
| HCV5 | Critical for meeting basic needs of local people |
| HCV6 | Critical for maintaining cultural identity of local communities |

APP'S HIGH CONSERVATION VALUE FOREST POLICY

- Suspend natural forest clearance while HCVF assessments are conducted. This is effective from June 1st 2012
- APP expects suppliers to comply with our requests to start implementing the HCVF assessment by 31 December 2014
- Where HCVF assessments are not conducted, we will review and re-evaluate the supply agreements
- Engaged credible experts to conduct HCVF assessment with accordance with HCVF Resource network best practice
- Identified HCVF areas will be protected as a result of the HCVF assessment



In 2012 we started the preliminary assessment with eleven suppliers operating within Sumatra and Kalimantan, covering 1,200,000ha of forest in total. The assessment started with collecting secondary data (mapping, photographs, boundary documentation). During this preliminary assessment phase we engaged with 139 communities at a local level in addition to regional, provincial and national level stakeholders. The objective of the preliminary assessment was to gather initial site data and stakeholder consultation in preparation for the full assessment which will be carried out in 2013.

The HCVF assessment will enable all our suppliers to identify areas with high conservation value and to manage those areas strategically. This strategy is vital to on-going sustainable forest management. Each concession area requires a different management strategy as they each have their own unique set of characteristics and challenges

Until the assessment is complete and a management plan implemented, natural forest conversion has been suspended in those areas.

By the end of 2014 all suppliers are expected to commit to carrying out a full HCVF assessment. The commitment starts with the suspension of natural forest conversion until HCVF assessments have taken place and a conservation forest management plan has been developed.

To ensure objectivity and credibility of the HCVF assessments, APP has engaged the Asia Pacific Consulting Solutions (APCS), a third party expert in forest and supply chain management to implement the HCVF assessment.

Loy Jones, lead HCVF assessor said: "We are pleased with APP's commitment and willingness to undergo this level of operational evaluation and scrutiny. This represents a critical first step in a long-term journey toward meeting the HCVF Management commitment which is not easily undertaken. We are optimistic that many stakeholders will welcome this commitment, and hopeful that all, including those taking a more cautious "wait and see" position, will participate in this process so there are positive results for APP, along with the forests and people of Indonesia."

HCVF AND FOREST MORATORIUM

The Indonesian Government has enacted a moratorium on the issue of new logging licences in primary natural forest and peatland areas. A major step in extending this policy was made in 2012, when two pulpwood suppliers to APP – Tebo Multi Agro (TMA) and Rimba Hutani Mas (RHM) – agreed to join pulpwood supplier WKS in suspending natural forest clearance with immediate effect while HCVF assessments are conducted. This effectively protects a forest area of 1.2m ha in addition to WKS’s concession area of 293,813 ha.

We have worked with TFT to assess APP’s supply chain in order to accelerate our HCVF commitment across all of our suppliers. Following multiple information sessions, discussions and lobbying, we sent formal letters to all of our pulpwood suppliers in December 2012, informing them of a new target deadline for their commitments to HCVF and the moratorium on natural forest clearance, brought forward from the end of 2014, to early 2013.

CRITICAL QUESTION FROM OUR STAKEHOLDERS: WHY DOES APP CONTINUE TO USE A MAXIMUM OF 5% WASTE WOOD RESIDUE IN ITS RAW MATERIAL?

Degraded and over-logged forests are an issue that must be addressed as part of a holistic approach to sustainable forest management in Indonesia. Such conditions can be a result of illegal logging and not in any way related to our suppliers’ activities. Forest fires, both those that occur naturally and those started illegally as a method of land clearance also drive this degradation, as well as poor concession and logging management, which can also contribute to accelerated degradation.

Once a forest has been allowed to degrade to this level the options include either burning the waste material or leaving it to degrade further and release carbon into the atmosphere. The most efficient strategy is to fell and clear the waste wood, and use it as a raw material for pulp, locking the carbon into the finished paper product instead of allowing the wood to degrade on the forest floor. Our pulpwood suppliers only ever carry out this process within non-HCVF areas. Government led infrastructure development, predominantly road construction and preparation for residential areas may also yield mixed tropical hardwoods. Neither of these activities should be confused with natural forest clearance as a source for virgin fibre and we strictly prohibit our suppliers in doing so.

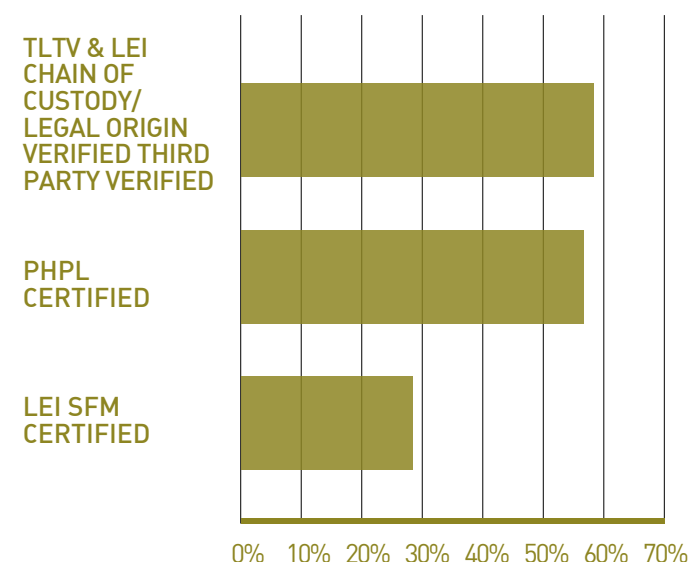
In accordance to APP’s commitment, we will not source MTH from HCVF areas.

ENSURING SUSTAINABLE FOREST MANAGEMENT

Indonesia’s national laws define strict standards of sustainable forest management. These cover planning policy, documentation for traceability and coverage of human rights, environmental and social issues. We see these as the minimum standards that all of our suppliers should adhere to, and we actively support the development of certification programmes that are applicable to Indonesian forests and conform to the international best practice.

In 2012 we developed a grievance mechanism which will be integral to our sustainability dashboard. We will report the number of incidents and monitor resolution activities and results through the dashboard, allowing interested stakeholders to review our progress and hold us to account.

COVERAGE OF MANDATORY AND VOLUNTARY CERTIFICATION SCHEMES, 2012



PULPWOOD SUPPLIERS CERTIFICATION

SVLK (Timber Legality Verification System) is a government mandatory certification scheme that ensures that the production, distribution and marketing of wood products are subject to Indonesian laws and regulations. It is a stepping stone to achieving the full mandatory sustainable forest management certification.

PHPL (Sustainable Production Forest Management) certification is a mandatory Sustainable Forest Management scheme that is independently verified by a nationally accredited certification body.

LEI SPFM (Lembaga Ekolabel Indonesia Sustainable Plantation Forest Management) is a voluntary scheme that includes indicators that examine the sustainability of production and its environmental, social and economic impact. Currently it is the only voluntary national standard that is applicable and credible for forest plantation management in Indonesia.

BY 2015 ALL APP PULPWOOD SUPPLIERS WILL BE REQUIRED TO BE CERTIFIED TO PHPL AND BY 2020 THEY WILL BE REQUIRED TO BE CERTIFIED TO LEI OR OTHER RELEVANT NATIONAL SCHEME.

As a longer term goal, APP is committed to ensuring that all of its pulpwood suppliers are certified to an international sustainable forest management standard within 10 years of one becoming applicable for industrial plantation forest in Indonesia.

REFORESTATION

| | | |
|------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Support the national target for reforesting degraded land. | On track | Supporting reforestation of degraded land through responsible plantation development. Specific projects include 2m trees planted in South Sumatra, Riau province. |
|------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|

We will support the national target for reforesting degraded land by helping our suppliers in restoring areas of high biodiversity value through our commitments to support their responsible plantation development. If the degradation is not too severe it is possible to support natural regeneration through intensive planting and on-going management until the forest area becomes re-established. However, if the land has been allowed to become seriously degraded then our suppliers have to use a total enrichment planting technique, where they plant seedlings of local species and manage growth intensively until the forest becomes re-established.

CONSERVATION AND BIODIVERSITY

| CONSERVATION AND BIODIVERSITY | | |
|-------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Support the national target to preserve designated protected and conservation areas. | On track | Conservations programmes aligned to Government of Indonesia targets, flagship programme Giam Siak Kecil – Bukit Batu Biosphere Reserve |
| Support the national target to increase by 3% the population of 14 key priority endangered species in 2014. | On track | Conservation programmes aligned to Government of Indonesia targets, include protection of Bornean orangutans, Sumatran tigers & Javan rhinos |

In common with other natural resource-based industries, we realize that, if not managed properly, the operations of our pulpwood suppliers have the potential to affect biodiversity through habitat conversion¹¹. To minimise those impacts, we put conservation management at the heart of our sustainable forest management strategy.

Conservation management plans are used by our suppliers to ensure natural habitat are protected. This plan is an integral part of sustainable forest management, and is built into third party certification schemes that cover our suppliers' forestry operations, as well as surrounding areas beyond their operational boundaries. The HCV assessments include biodiversity considerations and will form part of the biodiversity management tools for each supplier.

On a practical level, a critical part of our suppliers' forest management practices is boundary marking. Boundaries must be identified and monitored consistently in areas where the plantation meets a conservation zone, water boundary body or other designated zoning. A practical example of the importance of boundary management can be seen through our tiger conservation initiatives, where the conservation zone is located near to areas where community hunting activities often occur. In these areas, the placement of signs along the borders of the conservation area is very important to prevent human intrusion.



Flora and fauna monitoring helps to ensure species lists are kept up to date and appropriate action is taken should any issues arise. This extends to the creation of sign boards to show species' habitats located in the area¹².

In peatland areas our suppliers actively monitor and control water levels. A network of canals is normally used to manage and maintain the level of the water table. Excess water is allowed to drain through gates and overflow channels, and gate valves are used to prevent sea water incursion.

¹¹ For species effected see 2010/2011 Sustainability Report. We intend to update this list in 2014.

¹² The endangered species list can be found in our 2010/2011 Sustainability Report

RESPONSIBLE PLANTATION MANAGEMENT PLAYS A CRITICAL CARBON ROLE

In addition to the focus our pulp and paper mills place on managing and reducing carbon emissions, we are also supporting efforts to reduce carbon emissions through our suppliers' forestry operations. The emission and sequestration of carbon at the plantation stage of our local wood supplier is a particular focus. We have the following targets in place:



In 2012 one of our suppliers launched a new conservation programme, which we hope will become the flagship conservation programme amongst our suppliers. The Endangered Biodiversity Development programme was established in response to the decline of Bulian, a local species of tree used for construction that is now an endangered species. In October 2012, the nursery centre was set up in WKS with 10,000 seedlings.

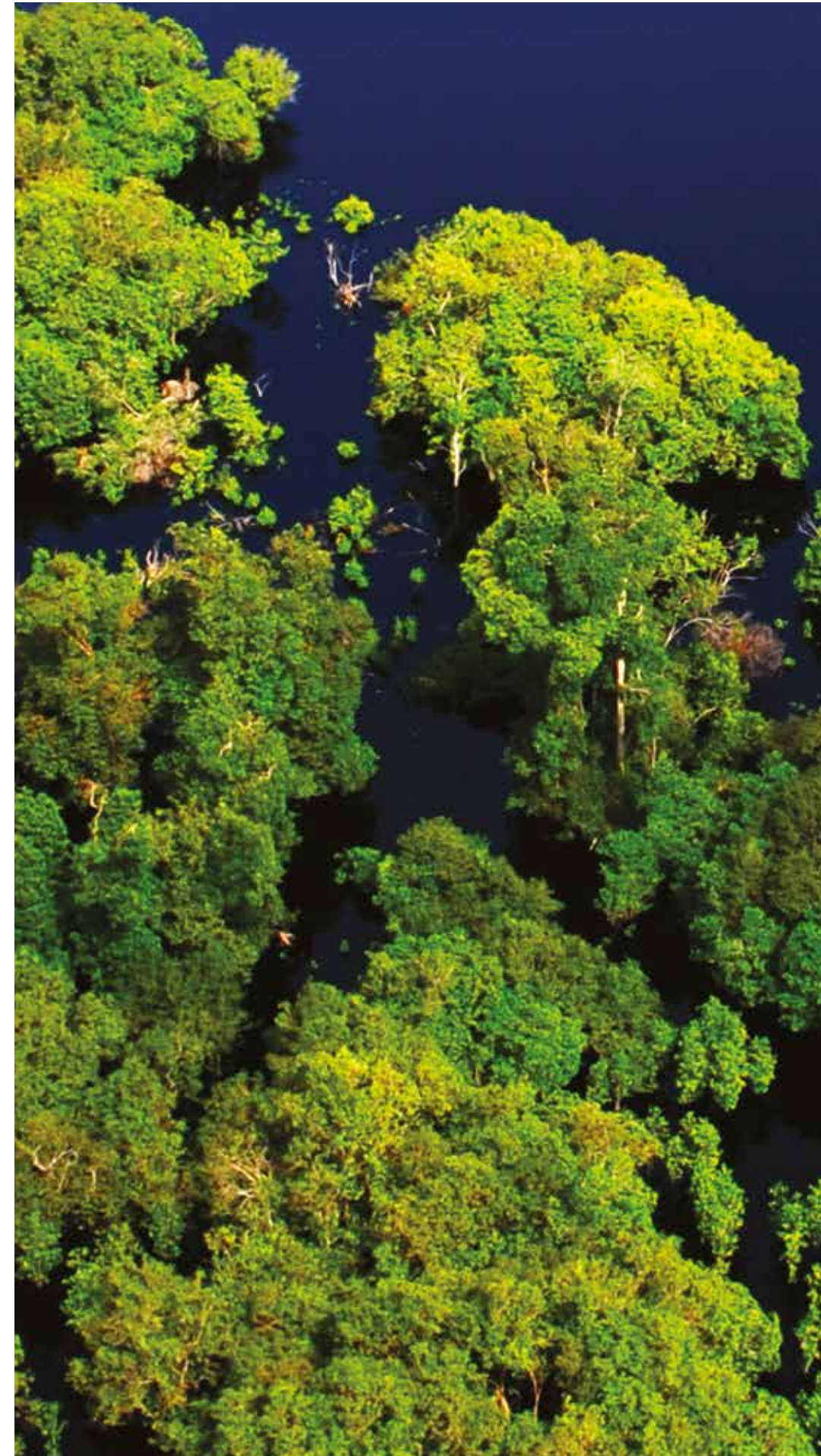
In partnership with Ministry of Forestry's Center for Forest Biotechnology and Tree Improvement Research (CFBTI) and Sinarmas Forestry, APP initiated a Ramin Conservation project. Established in October 2012, the programme aim to prevent the extinction of ramin, a tree species categorised as Vulnerable in the IUCN Red List Categories of Threatened Species. Ramin seedlings are collected and maintained at our pulpwood suppliers nursery centre or sent to the BBPBTH, a research centre on forest biotechnology and tree improvement under the Ministry of Forestry.

In January 2012 APP signed a Memorandum of Understanding with Indonesia's Ministry of Forestry, agreeing to enhance the protection of endangered species in Indonesia. APP recognises the influence it can have on its suppliers in terms of safeguarding habitats, and supporting educational initiatives to raise critical awareness of such species.

Our support of tiger conservation programmes continued in 2012 with the construction of a new observation or temporary holding for tigers in Perawang. It provides an area to rehabilitate tigers before they are released back into the wild.

AS SUMATRAN TIGERS ARE A CRITICALLY ENDANGERED SPECIES, IT IS ESSENTIAL THAT EVERY POSSIBLE STEP IS TAKEN TO PROTECT THE WELFARE OF THOSE ANIMALS THAT ARE RELEASED BACK INTO THE FOREST. THIS OBSERVATION OR TEMPORARY HOLDING WILL BECOME AN IMPORTANT PART OF THE RELEASE PROCESS FOR TIGERS THAT ARE RESCUED AND HAVE TO BE RELEASED BACK INTO THE WILD

By 2020 we will support the establishment of at least one new rehabilitation centre or sanctuary for endangered wildlife.



FLAGSHIP CONSERVATION PROGRAMME CONTINUES TO DEVELOP

Located in Sumatra and covering 178,000 ha as the Core Area, the Giam Siak Kecil – Bukit Batu (GSK-BB) Biosphere Reserve was the first biosphere reserve in the world initiated and co-managed by the private sector to be approved by the UNESCO Man and the Biosphere (MAB) Programme. A collaborative effort between SMF, APP, LIPI, BKSDA Riau, local governments, local NGOs and local communities, it provides a great example of how local government, NGOs, industry, the scientific community and environmental experts can work together to create a public-private partnership in biodiversity conservation and the sustainable use of tropical peatlands. The reserve is home to a huge range of endangered species, including the Sumatran tiger, elephant, tapir, and sun bear. A 20 hectare area of within the Core Area has been restored with local species, including jelutung trees, the sap from which can be tapped by the community and sold as edible gum or as an isolator used in undersea cables.

Under the GSK-BB Biosphere Reserve Strategic Vision 2020, at least 12 villages will have been covered by the Community Empowerment Programme by 2016, another 30 villages the following year, and further 11 villages in 2018. This means that all 53 villages in the Reserve landscape (700,000 ha) will be benefited before the year 2020.

In 2012 we piloted a water treatment project, partnering with the Man and Biosphere Programme (MAB) Indonesia – LIPI with the ultimate aim of providing clean and safe drinking water to millions of people across Indonesia.

The pilot project installed water purification systems within the communities that surround the GSK-BB biosphere reserve. Training was given on how to operate and maintain the equipment which can produce enough water to support around 100 families. Shortages and a lack of clean available water affect millions of people in Indonesia, therefore we hope projects such as this can now be rolled out across the country.



Building on our two year old Friends of Orangutan partnership with Orangutan Foundation International (OFI), a comprehensive training programme on endangered species conservation was announced in July 2012, supported by APP. It forms part of our Vision 2020 commitment to support national targets of conservation.

The aim is to educate those living and working in and around the orangutans' natural habitat, including employees of APP and our pulpwood suppliers, on how to protect this endangered species. In total 30 people will take part. Using a 'train the trainers' approach to maximise its effectiveness. We aim to have trained 300 people by the end of 2013.

PROTECTION OF ORANGUTAN POPULATIONS IN THE WILD IS OF CRUCIAL IMPORTANCE TO INDONESIA AND THE WIDER WORLD. THE FORESTRY SECTOR HAS A SPECIAL DUTY TO ACT IN A RESPONSIBLE MANNER SINCE IT IS PROFITING FROM FORESTS AND TIMBER. WE ARE GRATEFUL FOR THE SUPPORT PROVIDED BY OUR PARTNERS PT SMART TBK AND APP. THE LAUNCH OF OFI'S TRAINING PROGRAMME FOR OUR PARTNERS IS A CRUCIAL PART OF OUR STRATEGY TO EDUCATE PEOPLE WORKING IN INDONESIA'S FORESTS REGARDING ORANGUTAN CONSERVATION AND PROTECTION. THE MORE INITIATIVES WE SEE OF THIS KIND, NOT JUST FOR ORANGUTANS, BUT ALSO FOR OTHER ENDANGERED SPECIES, THE BETTER.

Dr. Biruté Mary Galdikas, founder of OFI.

INDIGENOUS PEOPLE

| | | |
|----------------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------|
| Adopt international guidelines for the protection of indigenous people's customary rights in the forest. | On track | Commitment to Free Prior Informed Consent with development of procedures and training for employees begun in 2012 |
|----------------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------|

Land tenure is the most common conflict that arises within our suppliers' concessions. When the Indonesian government awards licenses for land use the boundaries are not always clear, and often, records may not even exist at all. In some cases communities dispute the original agreement and refuse to acknowledge the government's decision, despite the fact that all of our suppliers have boundaries that are approved by the Ministry of Forestry.

With the help of TFT we now have a much more integrated, detailed and accurate approach to conflict mapping within the communities adjacent to, or within our suppliers' plantations. We developed this system in 2012, in collaboration with our suppliers, focusing on the identification of primary issues and targeting complete resolution to prevent the problem from returning.

In 2012 the conflict mapping processes began with an initial assessment of the most critical issues for our suppliers. They revised their procedures for handling conflicts, ensuring a uniform approach. Additional training for suppliers' employees was also provided. With the help of TFT our suppliers investigated each case, critically assessing the history to gather all relevant background information. Primary data is collected and developed an action plan for each case, before finally prioritising them as a result of the research.



RESEARCH AND DEVELOPMENT

Clones resistant to critical diseases

An integral part of sustainable forest management is the work that the research and development teams from our pulpwood suppliers do to support tree production and improvement. The suppliers' dedicated R&D centres are responsible for tree nurseries, where trees are produced from cuttings or tissue cultures. Their efforts also encompass work around the tree improvement programme, developing species of trees with enhanced properties such as disease resistance, which in turn reduces pest control chemical requirements. In line with national regulations, and APP's GMO policy, our suppliers do not develop or plant species that have been genetically modified.



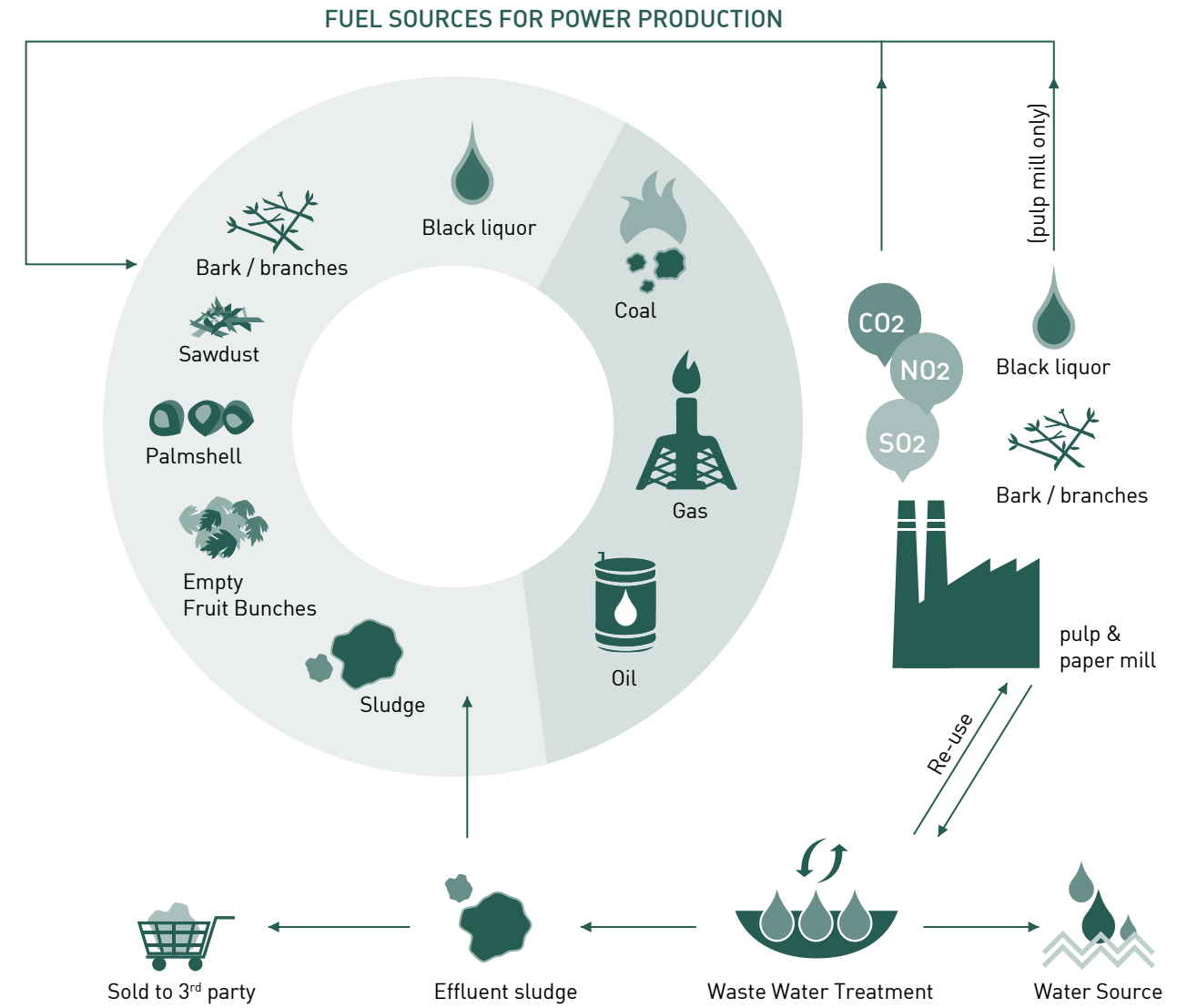
CHAPTER 9 OUR MILLS

APP IS COMMITTED TO MAKING CONTINUOUS IMPROVEMENTS TO OUR ENVIRONMENTAL PERFORMANCE.



CHAPTER 09

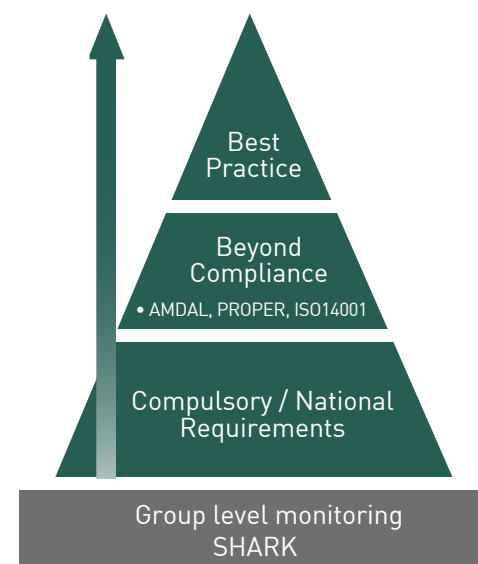
ENVIRONMENT



| APP MILLS WITH POWER GENERATION | | | | |
|---------------------------------|------------------|-----------------|------------------|---------------------|
| Mill | Power generation | Pulp production | Paper production | Chemical production |
| Ekamas Fortuna | | | | |
| Indah Kiat Perawang | | | | |
| Indah Kiat Serang | | | | |
| Indah Kiat Tangerang | | | | |
| Lontar Papyrus | | | | |
| Pindo Deli Mills | | | | |
| Tjiwi Kimia | | | | |

APP is committed to making continuous improvements to our environmental performance. The Indonesian government requires its industry to comply with its primary environmental assessment, pollution and control programmes. We go a step further, acting as a responsible neighbour to the communities around our mills, ensuring that the environmental impact of our operations and in turn our products are minimised.

Our environmental focus is in line with topics that are of greatest interest to our stakeholders. Our Vision 2020 Roadmap goals include targets for waste, water consumption and discharge, energy, carbon, emissions and biodiversity.



All of our mills are responsible for their own environmental management, guided by a management approach set at group level. The ISO14001 Environment Standard, an internationally recognised standard that provides a framework for establishing an environmental management system is key to managing and monitoring the environmental performance of all our mills. All APP mills must also complete the Indonesian environmental impact assessment ('AMDAL') which assesses potential environmental, social and economic impacts. This assessment must be completed before a site can be commissioned or before any major modification or investment is conducted.

All APP's mills, (with the exception of Tjiwi Kimia due to major installation work in 2012 and Indah Kiat Serang which went through a separate audit with regional government) are assessed using PROPER: a voluntary environmental initiative launched by Indonesia's Ministry of Environment in 1996. Its aim is to use public disclosure, environmental awards and reputational incentives to compel organisations to improve their environmental performance.

| Mill | Rating |
|----------------------|-------------------------|
| Ekamas Fortuna | Blue |
| Indah Kiat Perawang | Blue |
| Indah Kiat Tangerang | Green |
| Lontar Papyrus | Blue |
| Pindo Deli Mills | Blue (PD1), Green (PD2) |

Mill performance is monitored at group level by our SHARK team (Strategic Human Assets Reassessment Key Squad). Based at head office in Jakarta the team's mission is to drive mill efficiency, promote cutting edge technology in new product development, improve human resource capacity and realise sustainability throughout the mills operations. We use Key Performance Indicators (KPIs) to measure performance, setting SMART targets (Specific, Measurable, Attainable, Relevant, Time-bound) which align to our Vision 2020 Roadmap goals.

We received no significant fines or other sanctions for non-compliance with environmental laws and regulations in 2012.

We don't rely solely on a 'top down' approach, recognising that creating a learning culture is key to our success; we encourage cross team competition and knowledge sharing and expect leaders to coach others. Management by Olympic System (MBOS) is our way of encouraging competition between mills within our group. We set baseline targets for each mill individually to ensure progress is relative and keep mills appraised of their progress compared to their peers.

Changing the behaviour of our employees is an essential part of our sustainability journey and equally important is the capital investments we make to improve the environmental impacts of our operations. These initiatives, such as iSuggest and JDI (Just Do It), provide the mechanism for employees to put forward suggestions and encourages employees from across the organisation to be a part of the success of Vision 2020.



ENERGY AND CARBON

| EMISSIONS | | |
|-------------------------------------------------------|----------|--------------------------------------------------------------------------|
| Reduce the impact of mill's greenhouse gas emissions. | On track | Increase renewable fuels use, reducing reliance on non-renewable sources |

Pulp and Paper manufacturing is an energy intensive process, within which the production of pulp and drying of paper consumes the most energy. Our mills require a reliable energy source – it's vital to the smooth running of our mills' operations, yet for several of our mills in Java the capacity and stability of the national grid is often insufficient for production, and is suitable only to be used as back up. As such most of our mills depend, to an extent, on their own energy generation. In 2012 our mills generated 98% of their energy from on-site production facilities.

ENERGY PRODUCTION (GJ) BY TYPE, 2012

The reduction in renewable fuels used in 2012 was predominantly due to production issues at Indah Kiat Perawang where the amount of bark that could be used in energy production was limited. We tried to overcome this during 2012 with a feasibility study in a new shredder to reduce the bark size and improve combustion process efficiency. We expect to see increased renewable fuel use through 2013. The mill continues to actively look to reduce fossil fuel consumption in favour of biomass as a long term commitment, including waste bark, pins and fine chips, black liquor, sludge, palm shell kernel, empty fruit bunches and sawdust.

The pulp production process lends itself to utilising a high proportion of waste as a fuel source, predominantly bark and black liquor, reducing reliance on non-renewable fossil fuels. Through the use of bark, black liquor and other wood waste our integrated pulp and paper mills use renewable sources for 66% of their energy needs. We are constantly seeking new techniques to ensure full utilisation of waste bark, using empty fruit bunches, and palm kernel shells to minimise use of non-renewable fuels.

While our integrated pulp and paper mills are able to benefit from bark and black liquor as a renewable energy source, this is not the case for all mills. Those without pulp manufacturing facilities on site must rely on fossil fuels, predominantly coal and gas, for most of their energy needs. In these cases we seek to use the fuel with the lowest environmental impact, selecting low sulphur high calorie coal or switching to fuels with lower carbon intensity such as natural gas or diesel oil.

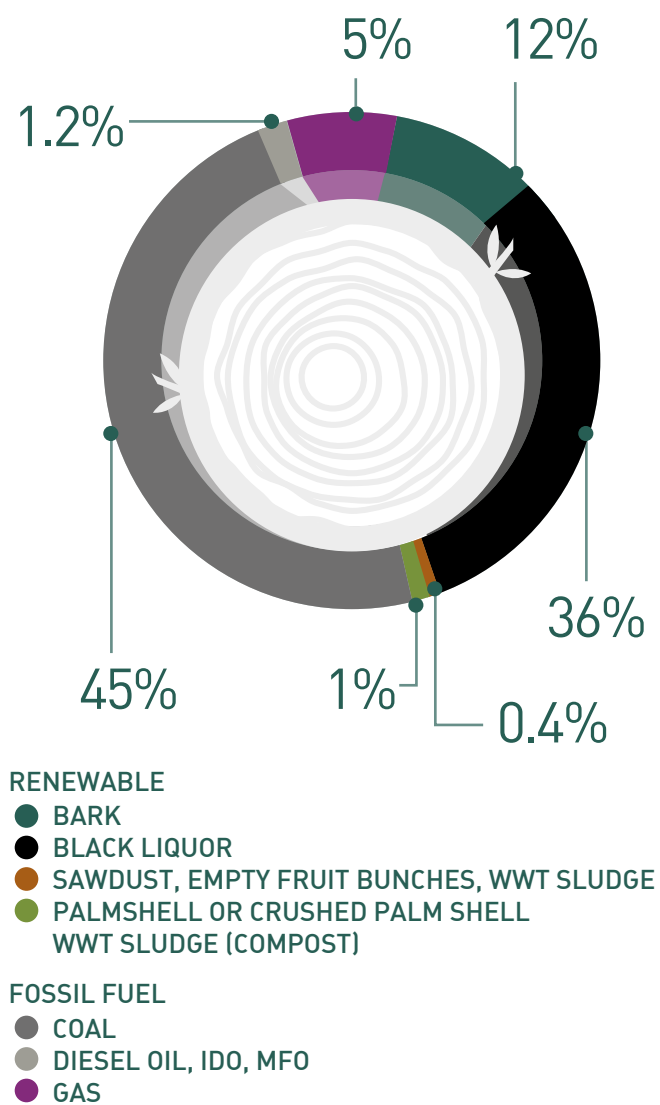
Air emissions, including CO₂, NO₂, SO₂ and particulates are created largely through fuel combustion at our on-site power generation facilities, as well as during the pulp and paper making processes. The biggest impact on our air emission is the type of fuel used by our power generation processes, with coal producing the highest emissions. We only purchase coal from verified suppliers that meet independently verified quality standard and give preference to low sulphur, high calorie qualities.

We constantly monitor our air emissions, several mills use a Continuous Emissions Monitoring System (CEMS) on emissions stacks that have the most significant emission. Results are submitted to the Ministry of Environment every six months to ensure compliance.

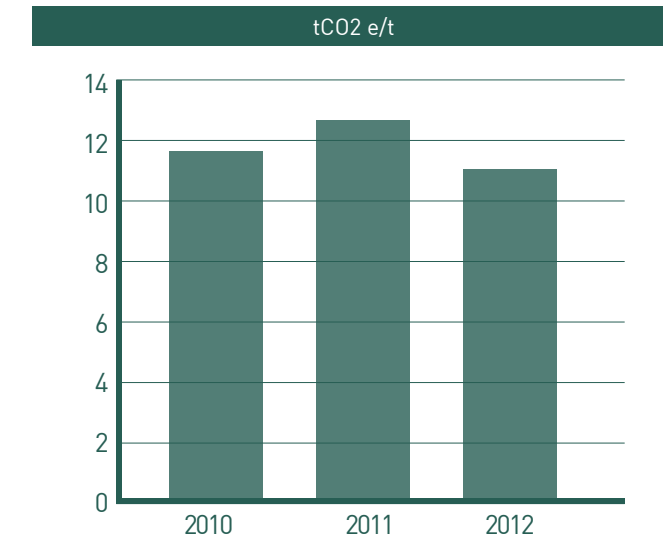
We aim to consistently achieve a minimum 10% below the national limit for aggregated SO_x and NO_x levels. In 2012 we reduced SO_x and NO_x levels by 18% and 43% respectively, mainly through maintaining fuel quality, for example through the use of low sulphur coal.

We must comply with local regulations for specific products sold abroad. At mills where this is common place, such as Pindo Deli Karawang, we monitor our emissions for different products so that we can disclose our emissions levels to our customers, enabling us to comply with foreign regulations and maintain our licence to sell overseas.

ENERGY GENERATION BY FUEL SOURCE, 2012



Energy production and choice of fuel is the most significant contributing factor to the carbon emissions of our mills. We are in the process of establishing a baseline before we set carbon reduction targets for each of our mills, however, we measure our scope 1 and 2 carbon emissions at each mill and make this information available in our Sustainability Reports and to our customers as requested.



In 2012 we carried out a range of through initiatives that utilised waste for energy and increased the renewable fuel split of our energy production, reducing carbon emissions by 320,000 ton CO₂e, 2% of our total emissions.

| SUMMARY GHG REDUCTION 2012 (IN TONNES) | | |
|----------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------|
| Mill | Initiative | Total GHG reduction (ton CO ₂ e) |
| IKP | Use empty fruit bunches as biofuel in boiler | 20,546 |
| | Use palm shell kernel as biofuel in boiler | 10,300 |
| | Utilization of effluent sludge as biofuel in boiler | 6,692 |
| | Utilization of Waste bark as biofuel in boiler | 74,447 |
| | Reuse of evaporator condensate in to pulp making plant and recausticizing plant | 38,901 |
| LP | Use empty fruit bunches as biofuel in boiler | 4,979 |
| | Reuse of evaporator condensate in to pulp making plant and recausticizing plant | 44,609 |
| | Fuel swith MFO to natural gas in lime kiln | 37,750 |
| | Fuel switch diesel oil to natural gas in tissue machine | 3,981 |
| | Utilize natural gas for power generatiion in gas turbine | 50,384 |
| IKS | Methane avoidance in waste water anaerobic treatment | 15,130 |
| EMF | Methane avoidance in waste water anaerobic treatment | 12,251 |
| Total | | 319,971 |

During 2012 two projects were submitted to the Clean Development Mechanism, a trading scheme designed by the United Nations Convention on Climate Change and are awaiting approval. The first is a methane capture project from anaerobic treatment at our Indah Kiat Serang Mill. The second is a project at Indah Kiat Perawang to switch from fossil fuel to biomass in its energy production process.

CARBON FOOTPRINT ASSESSMENT

APP is in the process of renewing the group wide methodology for carbon footprint assessment, in alignment with the WRI/WBCSD GHG Protocol. The assessment covers the manufacturing facilities in the scope of this report and will include carbon sequestration from the growth of our supplier managed plantations. While the carbon footprint assessment will provide group wide data, allowing APP to develop a carbon mitigation plan we are also developing product level data to satisfy requests from our customers. Currently we are piloting our methodology using products sent to the Japanese market with guidance from the Japanese standard TS Q 0010 "General Principles for the assessment and labelling of Carbon Footprint of Products".

The carbon sequestration data will be provided as additional information to our customers, alongside information on other forestry related emissions such as emission resulting from aboveground biomass decomposition and emissions from harvesting activities and transportation. Away from power generation there are a number of other key areas in the pulp and paper production process that consume a high proportion of energy and offer the opportunity to improve efficiencies. Condensate systems which control the flow of steam in the drying section of the paper machine are complex and a focus for many of the mills when seeking to reduce energy use. At Indah Kiat Serang our condensate return from the paper manufacturing process to the power plant was not as efficient as the equipment should have allowed. To resolve this, we have made a concerted effort to increase the efficiency of our condensate return process through the implementation of a new efficiency programme between May-December 2012. As a result of our efforts (which included pipeline and insulation maintenance, reducing blow down), the condensate return increased by 74% in 2012. We also achieved a 14% decrease in coal use.

For some mills the focus is on a higher number of smaller projects. At Ekamas Fortuna we are looking at re-using the methane from anaerobic digestion within the waste water treatment plant and to dry some of the waste sludge and burn it in the incinerator.

Pindo Deli Karawang have initiated such a project and have intensified their monitoring systems to accurately measure the levels of water and condensate from the power plant to the mill. At the mill sites, condensers have been modified and reconditioned to reduce the losses. The net result was an increase in returned condensate from 45% to 60%. Similarly, Indah Kiat Tangerang has increased efforts to revert more condensate back to the boiler, to reduce water extraction and fuel consumption.

In response to government regulations requiring companies with high energy consumption to implement an Energy Management System we began the process of introducing ISO 50001 at Indah Kiat Tangerang and Lontar Papyrus mills as pilots for our group. We expect both to be certified by early 2014.

| | CARBON EMISSION (tCO ₂ e) | | |
|--------------------|--------------------------------------|-----------|-----------|
| | 2012 | 2011 | 2010 |
| Direct emissions | 9,621,444 | 8,796,016 | 9,042,452 |
| Indirect emissions | 937,464 | 574,742 | 501,425 |



WATER

| WATER MANAGEMENT | | |
|-----------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Improve management of water use in line with the UN Global Compact CEO Water Mandate program. | On track | We have started the process of carrying out detailed water balance assessments. To date three mills have established a baseline for reducing water use |

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

Our mills focus on two areas; reducing water consumption and maintaining effluent quality from our mill processes. Reduced water consumption is achieved through reducing absolute consumption and increasing water re-use in our processes.

Water is essential to the pulp and paper making process, from easing the transportation of fibre by diluting it into a pulp mix, through to its conversion to steam for heating. It's a water intensive process, but one that offers the opportunity to recycle and re-use a significant amount of water, reducing the amount of water our mills withdraw from local sources.

By ensuring we continue to invest in the latest technologies, we improve process efficiency and reduce water use. Take Indah Kiat Tangerang mill as an example, one of the mill's major initiatives was to adapt the pulp dyeing process to reuse water, rather than dyeing different colours using fresh water each time. The four colours are therefore dyed in sequence, lightest to darkest, and the water is reused to dye each shade in succession. It is important to find a balance between achieving water efficiency savings whilst ensuring we do not impact on the quality of the coloured paper.

During 2012 our Indah Kiat Serang mill continued to develop technologically advanced waste water treatment systems. These systems harvest methane gas from the mills' waste water, before converting it into steam to be used in the production process, reducing GHG emissions by 287,820 tonnes a year. It is registered as a project under the Clean Development Mechanism.

In 2011 Ekamas Fortuna commissioned a new anaerobic waste water treatment plant. The methane gas generated is flared, but we are now in the process of developing a recovery system to capture the excess gas and convert it to electrical power and utilising a heat recovery system for heating boiler water.

By 2020 all mills will have completed a full water balance and footprint assessment. As we collect this data it will enable us to further prioritise the areas we need to focus on to reduce water use per tonne of production. It will also help us to address our water losses, another of our biggest challenges, by enabling us to better monitor our water use, re-use and discharge volumes.

Lontar Papyrus invested in 16 process improvements projects in 2012. Many of the projects resulted in a win-win by both decreasing water use and energy demand. Water reduction projects tend to involve small changes to our process which when combined with many other projects throughout the year contribute to a much more significant reduction in water use.

| | 2012 | 2011 | 2010 |
|----------------------------------------------------|-------------|-------------|-------------|
| Total water withdrawn by source (m ³) | 238,078,861 | 233,995,272 | 245,459,579 |
| Reuse | 29% | 20% | 19% |
| Actual consumption intensity (m ³ /ADT) | 6.0 | 6.2 | 7.5 |

Water quality is another key focus area for us. The majority of water that we use comes from surface water sources, essentially rivers that are located adjacent to our mills. Waste water is returned to these sources only after having been through an extensive water treatment process to ensure the quality is not detrimental to water source. We use recognised government guidelines and requirements to ensure our water discharges are within acceptable limits.

Through advanced measurement systems we constantly monitor Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) to ensure quality is maintained. The lower the figure, the better the quality, because less organic pollutants are present. Each of our mills monitor COD and BOD on a regular basis, in addition to sending monthly water samples to an external laboratory to be analysed independently. Every three months the external laboratory collects samples directly from our mills. Our goal is to consistently achieve a minimum of 10% below the national government limit for aggregate COD and BOD emissions; a goal that was achieved comfortably by all of our mills in 2012.



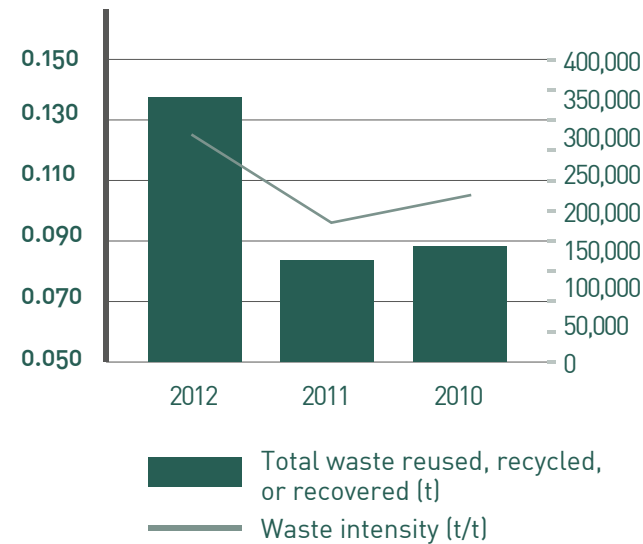
Total suspended solids provides another indication of water quality of treated waste water which we monitor to ensure water that returns to local water sources is of sufficient quality. All mills adhere to targets which follow either the government standard or if applicable the IFC / World Bank standard for pulp and paper industries. In addition to this, AOx (absorbable organically bound halogens) in the treated waste water is measured as an indicator of impurities arising from the pulping process.

Our mills use a combination of physical, chemical and biological (aerobic and anaerobic) waste water treatment. Anaerobic systems are favoured from an environmental perspective because they save on energy because an aerator is not used and chemical demand is lower. An additional benefit is the generation of methane as an energy source.

There were no significant spills to report in 2012.

WASTE MANAGEMENT

| SOLID WASTE | | |
|--------------------------------------------------------------|----------|-------------------------------------------------------|
| Reduce solid waste to landfill and view waste as a resource. | On track | From 2011 to 2012 we reduced waste to landfill by 37% |



Continuous innovation in identifying intelligent uses of our waste products underpins our approach to waste management. Ekamas Fortuna sends fly and bottom ash to a third party who reprocess the material into paving blocks for contraction. Effluent sludge is also sent to licensed third party for the production of low grade paper. Indah Kiat Perawang, Tjiwi Kimia and Ekamas Fortuna mills re-use coal fly ash for brickmaking and Pindo Deli Karawang mill 2 is trialling the use of waste effluent sludge in one of their paper machines which has been designed to consume this waste material.

When suppliers send us their products they tend to use new pallets to transport each order, which creates a substantial amount of waste for our business. Indah Kiat Serang mill saw an opportunity to act upon this issue, and implemented a pallet reduction scheme between April and October 2012, across all of the mill's suppliers. As a result, the mill saw a 20% reduction in wood consumption over the six month period, and has extended the project to become normal business practice.

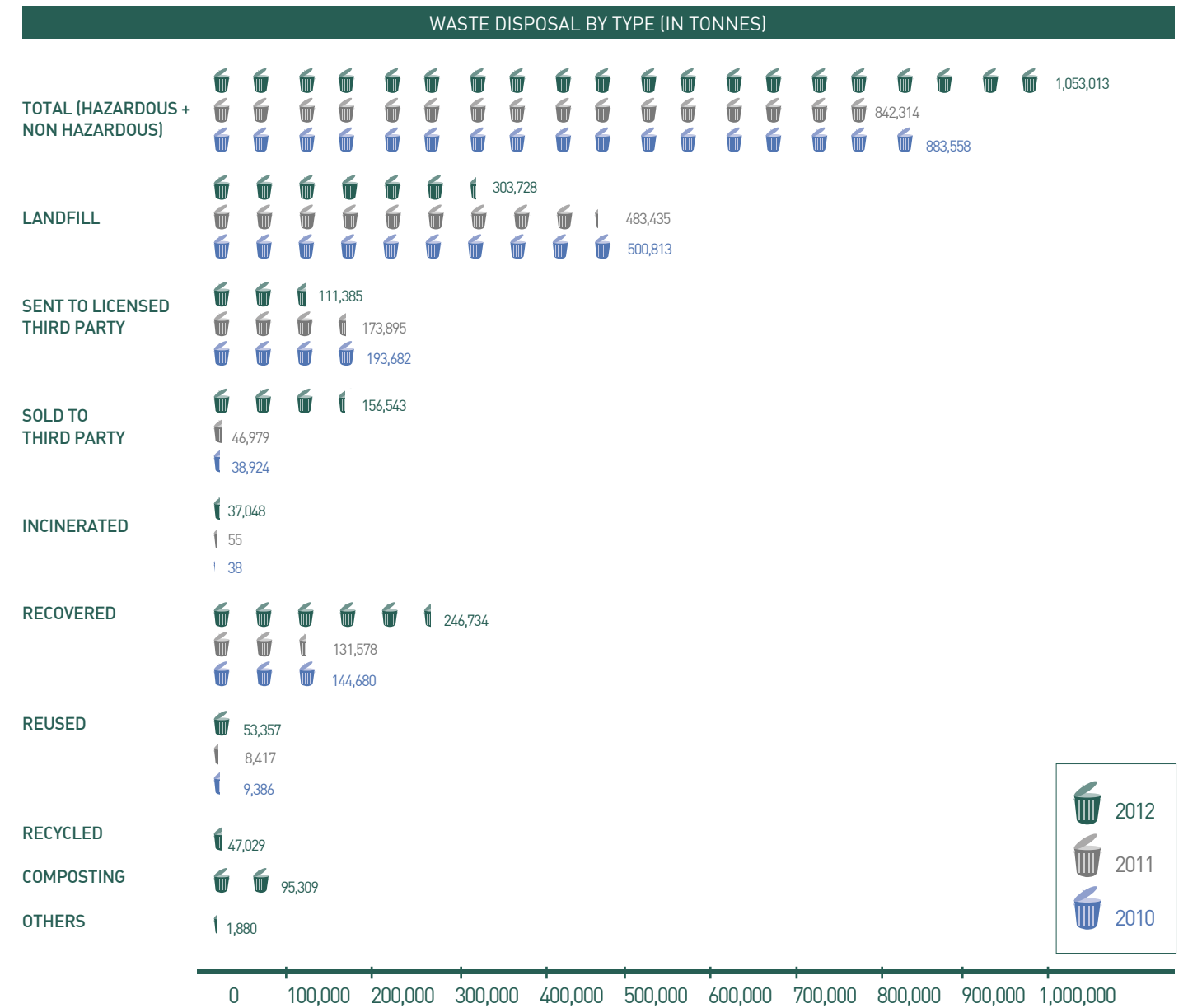
In another effort to reduce waste, Indah Kiat Serang implemented a new project in February 2012 to recycle the waste oil that is created as a by-product of offset printing. During these early stages of the project the waste oil has been used as a cleaning product but looking forward, the mill hopes to improve the initiative, and to mix a proportion of the waste oil with new ink to reduce the quantity of raw materials and energy used in the manufacturing process. The project is currently under assessment at a pilot stage.

Total ozone depleting substances emissions in 2012 amounted to 32.8 tonnes, a slight increase from 2011 levels (32.3 tonnes).

Adopting the 3R approach – reduce, reuse, recycle – we tightly manage waste production, seeking to minimise its production, look for opportunities to re-use and ensure disposal is carried out responsibly. In 2012 waste intensity increased slightly to 0.13 tonnes of waste per tonne of production, however, a greater proportion of our waste was reused, recycled or recovered.

Pulp and paper production presents significant opportunity to re-use and re-process waste in the production process. For integrated mills with pulping facilities on-site the most significant waste stream is black liquor, wood bark and other residue created when we process trees into pulp. We fully utilise these waste streams by reusing the material as fuel in power production, thus reducing our reliance on fossil fuels. In 2012 our two integrated mills produced 67% of their power from such sources.

For standalone paper mills with no pulp production on site there remains an opportunity to optimise waste reuse. Some of the waste sludge is reused in the production process or as fuel for the mills boilers. Hazardous solid waste such as fly ash (from coal fuelled power plants) and effluent sludge (from waste water treatment plants) are sent to licensed third party waste contractors who utilise this waste and divert it from landfill.



DATA TABLES AND ASSURANCE STATEMENT



GROUP ENVIRONMENTAL DATA TABLE

| | | | 2012 | 2011 | 2010 | |
|---------|----------------------|---------------------------------|----------------------|-------------|-------------|-------------|
| GENERAL | PRODUCTION | Pulp | '000 of ADT | 3,226 | 3,020 | 3,015 |
| | | Paper | '000 of ADT | 3,028 | 4,207 | 4,281 |
| | | Stationary | '000 of ADT | 226 | 205 | 212 |
| | | Tissue | '000 of ADT | 253 | 96 | 105 |
| | | Packaging | '000 of ADT | 228 | 1,579 | 1,653 |
| | | Chemicals | '000 of ADT | 2,873 | 2,109 | 2,043 |
| GENERAL | RAW MATERIALS | for pulpwood | tonnes | 13,701,737 | 3,189,095 | 3,085,745 |
| | | for paper | tonnes | 2,813,912 | 2,446,633 | 2,585,856 |
| | | Recycled fibre | tonnes | 1,760,649 | 1,583,396 | 1,777,407 |
| | | Fillers and starch | tonnes | 1,430,436 | 2,117,657 | 2,057,060 |
| | | for chemical production | tonnes | 1,348,286 | 1,205,159 | 1,149,694 |
| | | Packaging and others | tonnes | 109,914 | | |
| ENERGY | NON RENEWABLE ENERGY | Coal | GJ | 91,189,837 | 79,987,001 | 80,954,310 |
| | | Diesel Oil | GJ | 518,323 | 2,108,525 | 3,660,646 |
| | | Industrial Diesel Oil | GJ | 24,241 | | |
| | | Marine Fuel Oil | GJ | 1,909,130 | 4,270,442 | 5,319,430 |
| | | Marine Diesel Fuel | GJ | 4,889 | | |
| | | Gas | GJ | 11,147,875 | 10,377,233 | 9,600,921 |
| ENERGY | RENEWABLE ENERGY | Bark | GJ | 23,614,398 | 29,190,062 | 24,665,758 |
| | | Black Liquor | GJ | 72,669,613 | 71,444,390 | 68,288,962 |
| | | Sawdust | GJ | 137,758 | 161,457 | 178,234 |
| | | Palmshell or Crushed Palm Shell | GJ | 2,156,241 | 2,299,428 | 2,678,126 |
| | | WWT sludge (compost) | GJ | 415,583 | 179,001 | 76,823 |
| | | Empty fruit bunches (tankos) | GJ | 258,131 | 735,646 | 535,903 |
| ENERGY | SUMMARY | Direct non-renewable | GJ | 104,794,296 | 96,743,200 | 196,506,250 |
| | | Direct renewable | GJ | 99,251,724 | 104,099,983 | 99,535,306 |
| | | Indirect | GJ | 7,813,203 | 7,847,929 | 2,472,783 |
| | | Total energy consumption | GJ | 216,482,335 | 211,174,455 | 298,514,339 |
| ENERGY | CARBON EMISSIONS | Scope 1 (fossil fuel) | tCO ₂ e | 9,621,444 | 8,673,193 | 8,917,834 |
| | | Scope 2 (electricity) | tCO ₂ e | 788,778 | 574,742 | 501,425 |
| | | Biofuel consumption | tCO ₂ e | 9,927,121 | 90,887,061 | 82,088,264 |
| | | Carbon intensity (scope 1+2+3) | tCO ₂ e/t | 2.46 | 12.83 | 11.65 |
| WATER | WATER | Total water withdrawn by source | m ³ | 238,078,861 | 233,995,272 | 245,459,579 |
| | | Water reuse | % | 29% | 19% | 20% |
| | | Water discharged | m ³ | 191,018,665 | 180,718,749 | 182,389,165 |

GROUP ENVIRONMENTAL DATA TABLE

| | | | | | | | |
|--------|---------------------|---------------|------------------------------|--------|---------|---------|---------|
| WASTE | NON HAZARDOUS WASTE | | Landfill | tonnes | 20,094 | | |
| | | | Composting | tonnes | 24,465 | | |
| | | | Sent to licensed third party | tonnes | 30,055 | | |
| | | | Sold to third party | tonnes | 23,801 | | |
| | | | Recycled | tonnes | 43,688 | | |
| | | | Incinerated | tonnes | 39 | | |
| | | | Recovered | tonnes | 0 | | |
| | | | Reused | tonnes | 53,200 | | |
| | | | Others | tonnes | 1,199 | | |
| | | | Total non hazardous waste | tonnes | 196,541 | 65,159 | 65,000 |
| OTHERS | HAZARDOUS WASTE | | Landfill | tonnes | 283,635 | | |
| | | | Composting | tonnes | 70,844 | | |
| | | | Sent to licensed third party | tonnes | 81,330 | | |
| | | | Sold to third party | tonnes | 132,742 | | |
| | | | Recycled | tonnes | 3,341 | | |
| | | | Incinerated | tonnes | 37,009 | | |
| | | | Reused | tonnes | 246,734 | | |
| | | | Recovered | tonnes | 157 | | |
| | | | Others | tonnes | 681 | | |
| | | | Total | tonnes | 856,474 | 774,340 | 818,558 |
| | | ODS emissions | kg | 32,874 | 32,326 | 29,957 | |



MILL ENVIRONMENTAL DATA TABLE

| WATER | Name of local water source | UNIT | EKAMAS FORTUNA | | | INDAH KIAT PERAWANG | | | INDAH KIAT SERANG | | | INDAH KIAT TANGERANG | | |
|---------------------|----------------------------|------------------------------|---------------------------------|-------|-------|-------------------------------|-------|-------|-----------------------------------------------|-----------|----------|-------------------------------------|-------|------|
| | | | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| WATER QUALITY | LESTI RIVER | pH | 7.7 | 7.3 | 7.3 | 7.4 | 7.4 | 7.2 | 7.6 | 7.12-7.32 | 7.14-7.3 | 7.6 | 7.2 | 6.9 |
| | | TSS | 19.4 | 39.7 | 38.1 | 81.2 | 73.4 | 70.5 | 11.3 | 39-69 | 69-73 | 3.8 | 17.9 | 17.2 |
| | | BOD | 29.9 | 42.4 | 3,908 | 83.4 | 50.8 | 41.3 | 35.5 | 25-56 | 44-74 | 12.6 | 11.1 | 10.8 |
| | | COD | 72.0 | 106.1 | 110.3 | 303.0 | 282.5 | 286.0 | 110.5 | 25-162 | 169-208 | 38.6 | 60.6 | 61.8 |
| | | AOX | | | | | 7.0 | 8.8 | | | | | | |
| AIR EMISSIONS* | SIAK RIVER | SO ₂ | 276.2 | 194.0 | 194.0 | 174.4 | 177.8 | 209.5 | 249.8 | 292.0 | 146.0 | 36.2 | 83.5 | 13.0 |
| | | NO ₂ | 27.9 | 49.9 | 23.2 | 122.4 | 132.6 | 136.4 | 317.3 | 207.0 | 417.0 | 181.8 | 334.0 | 65.5 |
| | | Particulate | 70.0 | 105.4 | 90.0 | 157.3 | 91.4 | 100.7 | 56.3 | 30.0 | 59.0 | 31.9 | 35.5 | 11.5 |
| | | TRS | | | | 1.7 | | | | | | | | |
| | | ClO ₂ | | | | 9.8 | 0.6 | 0.7 | | | | | | |
| | | HCl | | | | | 0.4 | 0.2 | | | | | | |
| | | Cl ₂ | | | | 6.9 | 0.1 | 0.6 | | | | | | |
| | | | | | | | | | | | | | | |
| NON HAZARDOUS WASTE | CIUJUNG RIVER | Landfill | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Composting | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Sent to licensed third party | 21 | | | 0 | | | 9 | | | | | |
| | | Sold to third party | 0 | | | 4,101 | | | 1,618 | | | 3,252 | | |
| | | Recycled | 7,172 | | | 9,157 | | | 27,359 | | | 0 | | |
| | | Incinerated | 0 | | | 0 | | | 39 | | | 0 | | |
| | | Recovered | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Reused | 0 | | | 47,001 | | | 0 | | | 0 | | |
| | | Others | 0 | | | 0 | | | 1,188 | | | 0 | | |
| | | | | | | | | | | | | | | |
| HAZARDOUS WASTE | CISADANE RIVER | Landfill | 0 | | | 178,115 | | | 0 | | 0 | | | |
| | | Composting | 0 | | | 0 | | | 0 | | 0 | | | |
| | | Sent to licensed third party | 6,203 | | | 8 | | | 955 | | | 1,604 | | |
| | | Sold to third party | 0 | | | 19,474 | | | 76,563 | | | 12 | | |
| | | Recycled | 3,341 | | | 0 | | | 0 | | 0 | | | |
| | | Incinerated | 0 | | | 0 | | | 69 | | 0 | | | |
| | | Reused | 0 | | | 25,486 | | | 217,158 | | | 779 | | |
| | | Recovered | 0 | | | 0 | | | 157 | | | 0 | | |
| | | Others | 0 | | | 8 | | | 421 | | | 0 | | |
| | | | | | | | | | | | | | | |
| PROTECTED AREAS | Distance to mill | km | Pulau Sempu Nature Reserve (30) | | | Tesso Nilo National Park (50) | | | Rawa Danau Tukung Gede Conservation Area (20) | | | Halimun Mountain National Park (40) | | |

MILL ENVIRONMENTAL DATA TABLE

| WATER | Name of local water source | UNIT | LONTAR PAPYRUS | | | PINDO DELI KARAWANG | | | PINDO DELI PERAWANG | | | TJIWI KIMIA | | |
|---------------------|----------------------------|------------------------------|------------------------------------|-------|-------|--------------------------------------------------|-----------|-----------|-------------------------------|------|------|-----------------------------------------|-------|-------|
| | | | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| WATER QUALITY | PANGABUAN RIVER | pH | 6.8 | 7.0 | 7.0 | 7.3 | 7.14-7.4 | 7.25-7.63 | | | | 7.7 | 7.3 | 7.4 |
| | | TSS | 38.9 | 52.9 | 54.0 | 18.0 | 11-52.7 | 12-49.8 | | | | 14.3 | 47.6 | 53.8 |
| | | BOD | 60.0 | 46.1 | 48.5 | 25.3 | 14.3-37.6 | 12.8-32.1 | | | | 20.8 | 33.8 | 15.6 |
| | | COD | 148.6 | 262.9 | 258.6 | 77.1 | 35.8-91.4 | 36-88.6 | | | | 50.0 | 79.3 | 65.4 |
| | | AOX | | 4.4 | 4.9 | 0.2 | 0.3 | 0.6 | | | | 0.2 | 0.1 | <0.01 |
| AIR EMISSIONS* | CITARUM RIVER | SO ₂ | 113.8 | 135.4 | 63.9 | 14.1 | 52.2 | 10.6 | 54.27 | | | 137.8 | 574.0 | 109.0 |
| | | NO ₂ | 103.8 | 261.4 | 178.8 | 127.7 | 184.0 | 234.5 | 58.07 | | | 53.5 | 948.0 | 243.0 |
| | | Particulate | 429.8 | 122.2 | 148.3 | 10.7 | 25.8 | 27.8 | | | | 19.3 | 82.0 | 68.0 |
| | | TRS | 2.2 | 2.0 | 2.0 | | | | | | | | | |
| | | ClO ₂ | 1.0 | 3.5 | 1.1 | | | | | | | | | |
| | | HCl | 1.1 | 0.0 | 1.3 | 0.3 | | | | | | 1.0 | | |
| | | Cl ₂ | 0.4 | 0.5 | 0.4 | 1.5 | | | | | | | | |
| | | | | | | | | | | | | | | |
| NON HAZARDOUS WASTE | SIAK RIVER THROUGH IKP | Landfill | 20,094 | | | 0 | | | 0 | | | 0 | | |
| | | Composting | 24,465 | | | 0 | | | 0 | | | 0 | | |
| | | Sent to licensed third party | 0 | | | 28,780 | | | 156 | | | 1,090 | | |
| | | Sold to third party | 1,684 | | | 6,440 | | | 70 | | | 6,532 | | |
| | | Recycled | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Incinerated | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Recovered | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Reused | 6,199 | | | 0 | | | 0 | | | 0 | | |
| | | Others | 11 | | | 0 | | | 0 | | | 0 | | |
| | | | | | | | | | | | | | | |
| HAZARDOUS WASTE | BRANTAS RIVER | Landfill | 105,520 | | | 0 | | | 0 | | 0 | | | |
| | | Composting | 70,844 | | | 0 | | | 0 | | 0 | | | |
| | | Sent to licensed third party | 6 | | | 45,795 | | | 2 | | | 26,758 | | |
| | | Sold to third party | 17 | | | 99 | | | 65 | | | 36,508 | | |
| | | Recycled | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Incinerated | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Reused | 18 | | | 0 | | | 0 | | | 0 | | |
| | | Recovered | 0 | | | 0 | | | 0 | | | 0 | | |
| | | Others | 5 | | | 0 | | | 0 | | | 0 | | |
| | | | | | | | | | | | | | | |
| PROTECTED AREAS | Distance to mill | km | Bukit Tigapuluh National Park (30) | | | Nature Reserve of Tangkuban Perahu Mountain (40) | | | Tesso Nilo National Park (50) | | | Bromo Tengger Semeru National Park (80) | | |

*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.

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INDEPENDENT ASSURANCE STATEMENT

To: The Stakeholders of APP INDONESIA

INTRODUCTION AND OBJECTIVES OF WORK

Bureau Veritas Certification Indonesia (Bureau Veritas) has been engaged by Asia Pulp & Paper Indonesia comprising of PT. Indah Kiat Pulp & Paper Tbk, PT. Lontar Papyrus Pulp & Paper Industry, PT. Pindo Deli Pulp And Paper Mills, PT. Pabrik Kertas Tjiwi Kimia Tbk, PT. Ekamas Fortuna (hereafter referred to as "APP Indonesia") to conduct an independent assurance of its APP Sustainability Report 2012 (the Report). This Assurance Statement applies to the related information defined within the scope of work described below that is included in the Report. This information and its presentation in the APP Sustainability Report 2012 are the sole responsibility of the management of APP Indonesia. Bureau Veritas was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on its content.

SCOPE OF WORK

The assurance process was conducted in line with the requirements of a Type 2 moderate assurance according to the Assurance Standard AA1000AS (2008) the scope of work included:

- Data and information included in the Report for the period 1st January to 31st December 2012;
- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyse and review the information reported;
- Evaluation of the Report against the main principles of the AA1000 Assurance Standard (2008)
 - Inclusivity
 - Materiality
 - Responsiveness
- Evaluation of the Report against the principles of Accuracy, Accessibility, Balance, Clarity, Comparability, Reliability, Timeliness and Stakeholder Inclusiveness, as defined in the GRI Sustainability Reporting Guidelines G3.1;

METHODOLOGY

As part of its independent assurance, Bureau Veritas Certification undertook the following activities:

1. Interviews with relevant personnel of APP Indonesia.
2. Review of documentary evidence produced by APP Indonesia;
3. Audit of performance data, a % sample of which was checked back to source;
4. Site visits to APP HO Jakarta, Indah Kiat Perawang Mill – Perawang, Indah Kiat Serang Mill– Serang, Pindo Deli 3 Mill – Perawang, and APP's pulpwood supplier PT Arara Abadi – Perawang



5. Review of APP Indonesia data and information systems for collection, aggregation, analysis and review;
6. Review of stakeholder engagement methodology and activities deployed by APP Indonesia and the outcomes;

Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Sustainability Reports, based on current best practice in independent assurance.

The work was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.

OUR FINDINGS

On the basis of our methodology and the activities described above, it is our opinion that: The information and data included in the Report are deemed to be reliable and free from significant error, misstatement or bias;

- APP Indonesia has established appropriate systems for the collection, aggregation and analysis of such information and data;
- The Report provides a fair representation of APP Indonesia's sustainability related activities over the reporting period;
- The information is presented in a clear, understandable and accessible manner, and allows readers to form a balanced opinion over APP Indonesia's sustainability performance and status for the period;
- The Report provides a fair reflection of the organisation's implementation of and alignment to the AA1000AS principles of inclusivity, materiality and responsiveness in its operations (further detail is provided below);

ALIGNMENT WITH THE PRINCIPLES OF AA1000AS (2008)

INCLUSIVITY

APP Indonesia has processes in place for engaging with a range of key stakeholders and has undertaken both formal and informal engagement activities to update its comprehensive stakeholder survey of 2011, used to identify material issues for reporting.

MATERIALITY

The Report addresses the range of issues and concerns that APP Indonesia has identified as being of highest material importance. This has considered internal assessments of risks and opportunities to the business, as well as stakeholders' views and concerns. APP Indonesia has established and implemented engagement methods to gather stakeholder opinion for this purpose.

RESPONSIVENESS

APP Indonesia is responding to its material issues and demonstrates this through sustainability related policies, objectives, indicators and performance targets. The reported information can be used by the organisation and its stakeholders to inform their opinions and decision making.

KEY AREAS FOR ON-GOING DEVELOPMENT

Based on the work conducted, we recommend APP Indonesia to consider the following:

- The internal process of data aggregation and implementation could be further improved in terms of a systematic approach ; we recommend that APP Indonesia provides awareness and training for personnel on data and information collection systems
- APP should adapt and deploy its internal audit function to improve the accuracy of data and information through a more established quality assurance;
- APP Indonesia should consider raising more awareness at ground staff level on Sustainability related initiatives.

EVALUATION AGAINST GRI G3.1 SUSTAINABILITY REPORTING GUIDELINES

Bureau Veritas undertook an evaluation of the Report 2012 against the G3.1 Sustainability Reporting Guidelines. This included cross checking the GRI index table against all the reference documents to provide an opinion on the self-declared GRI application level. Based on our work, it is our opinion that the Report has been prepared in accordance with the GRI Reporting Framework including appropriate consideration of the Reporting Principles and necessary indicators to meet the requirements of GRI Application Level A+.

LIMITATIONS AND EXCLUSIONS

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

- The internal process of data aggregation and implementation could be further improved in terms of a systematic approach ; we recommend that APP Indonesia provides awareness and training for personnel on data and information collection systems
- APP should adapt and deploy its internal audit function to improve the accuracy of data and information through a more established quality assurance;
- APP Indonesia should consider raising more awareness at ground staff level on Sustainability related initiatives.

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

STATEMENT OF INDEPENDENCE, IMPARTIALITY AND COMPETENCE

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social, and Environmental management with more than 180 years history in providing independent assurance services, with revenue in 2012 Euros 3,902.3 millions. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

No member of the assurance team has a business relationship with APP Indonesia, its Directors or Managers beyond that required of this assignment. We have conducted this verification independently, and there has been no conflict of interest.

The assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, and an excellent understanding of Bureau Veritas standard methodology for the Assurance of Sustainability Reports.

BUREAU VERITAS CERTIFICATION

Jakarta, 6 December 2013

CHAPTER 11
GRI INDEX



CHAPTER
11

| PROFILE DISCLOSURE | DESCRIPTION | SECTION (page numbers) | RESPONSE | LEVEL OF DISCLOSURE F=Full disclosure P=Partial disclosure NR=Not reported |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 1. STRATEGY AND ANALYSIS | | | | |
| 1.1 | Statement from the most senior decision-maker of the organization | Chairman's Statement (14) | | F |
| 1.2 | Description of key impacts, risks, and opportunities. | Our Sustainability Strategy (25) | | F |
| 2. ORGANISATIONAL PROFILE | | | | |
| 2.1 | Name of the organization. | Company Profile (7) | | F |
| 2.2 | Primary brands, products, and/or services. | Our Products (19) | | F |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | Company Profile (7,10) | | F |
| 2.4 | Location of organization's headquarters. | Company Profile (11) | | F |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | Company Profile (9) | | F |
| 2.6 | Nature of ownership and legal form. | Company Profile (7) | | F |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | Company Profile (9) | | F |
| 2.8 | Scale of the reporting organization. | Introduction (5) | No significant changes in reporting period | F |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership. | | | F |
| 2.10 | Awards received in the reporting period. | Company Profile | | F |
| 3. REPORT PARAMETERS | | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | Introduction (5) | | F |
| 3.2 | Date of most recent previous report (if any). | Introduction (5) | | F |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Introduction (5) | | F |
| 3.4 | Contact point for questions. | Cover page (2) | | F |
| 3.5 | Process for defining report content. | Introduction (5) | | F |
| 3.6 | Boundary of the report | Introduction (5) | | F |
| 3.7 | State any specific limitations on the scope or boundary of the report | Introduction (5) | | F |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | Introduction (5) | | F |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | | Not material | NR |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods). | Company Profile (7) | No re-statements of previous reports | F |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | GRI Index (97) | None | F |
| 3.12 | Table identifying the location of the Standard Disclosures in the report. | Introduction (5) | | F |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. | | | F |
| 4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT | | | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | Our Sustainability Strategy (35) | | F |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Our Sustainability Strategy (35) | The Chair of the highest governing body is the Chairman, who is not an executive officer. | F |
| 4.3 | For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. | | | F |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Our Sustainability Strategy + Annual Report (36) | Minority shareholders: General meeting of shareholders relevant with Government Regulation Clause 19 of article of association of the company and the Regulation of Indonesian Capital Market Supervisory Board - National Financial Institution (Bapepam-LK) | F |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives. | Our Sustainability Strategy + Annual Report (35) | | F |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | Our Sustainability Strategy + Annual Report (35) | | F |
| 4.7 | Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity. | Our Sustainability Strategy + Annual Report (35) | | F |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | Our Sustainability Strategy (35) | | F |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | Our Sustainability Strategy (36) | | F |

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| 4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT | | | | |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | Our Sustainability Strategy (35) | | F |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | Our Sustainability Strategy (35) | | F |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | Our Products (21) | | F |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations. | Company Profile (13) | | F |
| 4.14 | List of stakeholder groups engaged by the organization. | Our Sustainability Strategy (32) | | F |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | Our Sustainability Strategy (32) | | F |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Our Sustainability Strategy (33) | | F |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | Our Sustainability Strategy (33) | | F |

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| ECONOMIC | | | | |
| DMA | Disclosure of management approach | Company Profile, Our Sustainability Strategy, Annual Reports Company Profile (12) | | F |
| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | | | F |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | Our Sustainability Strategy (25) | Financial implications specifically as a result of climate change are not currently calculated. We aim to report fully against this indicator by 2015 Sustainability Report. | F |
| EC3 | Coverage of the organization's defined benefit plan obligations. | People (52) | | F |
| EC4 | Significant financial assistance received from government. | Company Profile (12) | | F |
| EC5 | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. | People (52) | | F |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | Community Engagement (39) | | F |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. | People (53) | | F |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | Community Engagement (39) | | F |
| EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | Community Engagement (39) | | F |

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| ENVIRONMENTAL | | | | |
| DMA | Disclosure of management approach | Our Sustainability Strategy, Our Mills, Sustainable Fibre Sourcing | | |
| EN1 | Materials used by weight or volume. | Sustainable Fibre Sourcing (59), data table (89) | | F |
| EN2 | Percentage of materials used that are recycled input materials. | Sustainable Fibre Sourcing (59) | | F |
| EN3 | Direct energy consumption by primary energy source. | Data table (89) | | F |
| EN4 | Indirect energy consumption by primary source. | Data table (89) | | F |
| EN5 | Energy saved due to conservation and efficiency improvements. | Our Mills (81) | We aim to fully report against this indicator by the 2014 Sustainability Report. | P |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | Our Mills (80) | We aim to fully report against this indicator by the 2014 Sustainability Report. | P |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | Our Mills (81) | Direct and indirect energy reduction initiatives are addressed collectively. We plan to improve our reporting of these initiatives in the future to allow for direct and indirect initiatives to be reported separately. | P |
| EN8 | Total water withdrawal by source. | Our Mills (84) | | F |
| EN9 | Water sources significantly affected by withdrawal of water. | Data table (92) | | F |
| EN10 | Percentage and total volume of water recycled and reused. | Data table (84) | | F |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | Data table (92) | | F |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | Sustainable Fibre Sourcing (70) | Wood fibre is not sourced from forests of high biodiversity value or protected areas (refer to principles of responsible forest management) | F |
| EN13 | Habitats protected or restored. | Sustainable Fibre Sourcing (70) | | F |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | Sustainable Fibre Sourcing (70) | | F |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | Sustainability Report 2010/2011 | | F |
| EN16 | Total direct and indirect greenhouse gas emissions by weight. | Data table (89) | A full GHG analysis is currently underway and will be published in the 2014 Sustainability Report | NR |
| EN17 | Other relevant indirect greenhouse gas emissions by weight. | | | |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | Our Mills (81) | | F |
| EN19 | Emissions of ozone-depleting substances by weight. | Data table (90) | | F |
| EN20 | NOx, SOx, and other significant air emissions by type and weight. | Data table (92) | | F |
| EN21 | Total water discharge by quality and destination. | Data table (89,92) | | F |
| EN22 | Total weight of waste by type and disposal method. | Data table (90,92) | | F |
| EN23 | Total number and volume of significant spills. | Our Mills (85) | Not material | NR |
| EN24 | Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | | | |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | Data table (92) | | P |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | Our Products (20), Our Mills (78,85) | | F |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | | Not material | NR |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | Our Mills (78) | None in reporting period | F |
| EN29 | Total environmental protection expenditures and investments by type. | 2012: \$41.4m 2011: \$33.4m 2010: \$28.2m | | F |

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| SOCIAL: LABOR PRACTICES AND DECENT WORK | | | | |
| DMA | Disclosure of management approach | Our Sustainability Strategy, People (51) | | F |
| LA1 | Total workforce by employment type, employment contract, and region broken down by gender. | People (55) | | F |
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender, and region. | People (55) | | NR |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. | People (53) | | F |
| LA4 | Percentage of employees covered by collective bargaining agreements. | People (53) | | F |
| LA5 | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. | People (53) | Government of Indonesia regulation states that if the company will be permanently closed down the requirement for notice period is 7 days. Notice period for other operational changes are not covered under Indonesian law. For specific operational changes, APP's policy is for management to decide days of notice required based on the consideration of the nature of the operational changes. | F |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | People (53) | | F |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender. | People (54) | We aim for gender data to be reported in the 2014 Sustainability Report. | P |
| LA8 | Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | People (55) | | F |
| LA9 | Health and safety topics covered in formal agreements with trade unions. | People (57) | | F |
| LA10 | Average hours of training per year per employee by gender and by employee category. | People (55) | We aim for gender and employee category data to be reported in the 2014 Sustainability Report. | P |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | People (56) | | F |
| LA12 | Percentage of employees receiving regular performance and career development reviews by gender. | People (55) | | F |
| LA13 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity. | People (51) and Annual Reports | | P |
| LA14 | Ratio of basic salary of men to women by employee category. | People (52) | | P |

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| SOCIAL: LABOR PRACTICES AND DECENT WORK | | | | |
| LA15 | Return to work and retention rates after parental leave, by gender. | People (55) | | P |
| SOCIAL: HUMAN RIGHTS | | | | |
| DMA | Disclosure of management approach | Our Sustainability Strategy, People (57) | | NR |
| HR1 | Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening. | People (56) | No significant investments in the reporting period | F |
| HR2 | Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken. | People (57) | | F |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | | | F |
| HR4 | Total number of incidents of discrimination and corrective actions taken. | | None in reporting period | F |
| HR5 | Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | People (56) | None in reporting period | F |
| HR6 | Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | People (56) | | F |
| HR7 | Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor. | People (56) | | P |
| HR8 | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations. | | Not material | NR |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | | None in reporting period | F |
| HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | People (57) | | F |
| HR11 | Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms. | | None reported. During the human rights audit we identified the requirement to improve the reporting process further to ensure we can accurately capture all incidents. | P |

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| SOCIAL: SOCIETY | | | | |
| DMA | Disclosure of management approach | Our Sustainability Strategy, Community Engagement (46-49) | | F |
| S01 | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | Our Sustainability Strategy (35) | | F |
| S02 | Percentage and total number of business units analysed for risks related to corruption. | Our Sustainability Strategy (35) | | F |
| S03 | Percentage of employees trained in organization's anti-corruption policies and procedures. | Our Sustainability Strategy (35) | | F |
| S04 | Actions taken in response to incidents of corruption. | Our Sustainability Strategy (35) | Not material | NR |
| S05 | Public policy positions and participation in public policy development and lobbying. | Company Profile (12) | Not material | NR |
| S06 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | | None in reporting period | F |
| S07 | Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes. | | None in reporting period | F |
| S08 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | Company Profile (12) | | F |
| S09 | Operations with significant potential or actual negative impacts on local communities. | Community Engagement (39) | | F |
| S010 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | Community Engagement (39-41) | | F |
| SOCIAL: PRODUCT RESPONSIBILITY | | | | |
| DMA | Disclosure of management approach | Our Sustainability Strategy, Our Products (20) | | F |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | Our Products (20) | | F |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | | None in reporting period | F |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | Our Products (20) | Third party certification and labelling predominantly apply to sourcing and content life cycle stages. | F |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes. | Our Products (20) | None in reporting period | F |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | Our Products (23) | | |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | | For marketing products we comply with Indonesian law on advertising. Our global sales offices also develop their own material relevant for their own market and adhere to the respective advertising laws. This is managed by the marketing | |

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| SOCIAL: PRODUCT RESPONSIBILITY | | | | |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | Our Products (20) | None in reporting period | F |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | Our Products (20) | None in reporting period | F |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | Our Products (23) | None in reporting period | F |

**ENVIRONMENTAL
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REPORT**