

## APP-CHINA SUSTAINABILITY REPORT 2012-2013



## Message from Chairman



The past two years proved to be a milestone for APP. We promulgated a series of sustainable development policies under the banner "APP Sustainability Roadmap Vision 2020," and achieved the goal of halting natural forest clearance two years ahead of our promise. What the "APP Sustainability Roadmap Vision 2020" brings is not only a promising target for sustainable operation, but also the core strategy for our future investment and business. Although highly challenging, we are confident in moving forward based

on the significant achievements made through our unwavering efforts. To help us achieve our ultimate goals, all stakeholders are welcome to share comments and suggestions as well as monitor our commitments and practices.

Constructing ecological civilization aimed at creating a beautiful China is a significant component of realizing the China Dream. To be a contributor to the China Dream, APP-China promises to cooperate with industry partners

to promote green development of the whole industry, to work together with internal and external stakeholders to alleviate environmental pressures, and to strive for the harmonious coexistence of industry and nature.

黄艺颂

## **About This Report**

This is the seventh Sustainability Report published by Sinar Mas Paper (China) Investment Co., Ltd (APP-China). APP-China is synonymous with Sinar Mas Paper (China) Investment Co., Ltd. and the group of companies under its direct investment in China. Through this report, we aim to keep stakeholders informed of our policies, management, initiatives and key achievements in sustainable development.

The report discloses and responds to key stakeholder concerns by identifying and analyzing the material issues. This report is prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines and confirmed as B+ application level through its verification process.

Indicator selection and materiality analysis are in accordance with GRI G4 Guidelines as part of APP-China's transition to GRI G4 reporting.

**Language:** The report is made in Chinese and English; if anything differs, the Chinese shall prevail;

Period: January 1, 2012 - December 31, 2013;

**Frequency:** This report combines the 2012 and 2013 Sustainability Report (a period of two years). Annual reporting will resume for the next reporting period. Last report was published in April, 2013. **Assurance:** APP-China has engaged SGS-CSTC Standards Technical Service Co., Ltd. (SGS) to assess the reliability, objectivity and transparency of this report. Please refer to the Assurance Statement for further details.

#### **Indicator Selection:**

In accordance with GRI G3.1 materiality, stakeholder engagement, sustainable development principles and professional judgment, APP-China produced this report based on the following methods:

- Stakeholder engagement
- Analysis of the most relevant and important sustainable development issues
- Analysis of previous reports' continuity

APP-China conducts a stakeholder survey to confirm the perceptions, expectations and recommendations of APP-China's key stakeholders. Combining quantitative and qualitative analysis, APP-China facilitates comprehensive scrutiny and evaluation of stakeholder concerns and communication channels, which ultimately aim to improve stakeholder engagement and cooperation. Compared with the 2011 report, this survey improves methodologies, expands the sample size and refines the questionnaire with reference to GRI (G4) standards with expanded coverage of various issues under GRI (G4). Please refer to Section "Stakeholder Engagement."

#### Scope of Report:

Business units and entities covered in the scope of this report include APP-China Head Office, 9 pulp and paper mills and APP-China Forestry:

- · APP-China Head Office
- Gold East Paper (Jiangsu) Co., Limited (Gold East Paper)

- Hainan Jinhai Pulp & Paper Co., Limited (Hainan Jinhai Pulp & Paper)
- Guangxi Jingui Pulp & Paper Co., Limited (Guangxi Jingui Pulp & Paper)
- Ningbo Zhonghua Pulp & Paper Co., Limited (Ningbo Zhonghua)
- Ningbo Asia Pulp & Paper Co., Limited (Ningbo Asia)
- Gold Huasheng Paper (Suzhou Industrial Park) Co., Limited (Gold Huasheng)
- Gold Hongye Paper Group Co., Limited (Suzhou Gold Hongye, including Suzhou Plant and Sales & Marketing)
- Hainan Gold Hongye Paper Co., Limited (Hainan Gold Hongye)
- Hainan Gold Shengpu Paper Co., Limited (Hainan Gold Shengpu)
- APP-China Forestry Business Unit (APP-China Forestry, including Forestry Business Headquarter, Hainan, Guangxi and Guangdong BUs, Lancang, Wenshan and Henan Sub-BUs)

Due to the substantial scale, complex organizational structures and widespread locations, it will take more time to streamline and expand the report scope to incorporate more business units and operations in the future

#### Data and Information Collection:

APP-China adopts industry-recognized guidelines and criteria in listing, measuring and disclosing report data. The report incorporates historical reference and figures to help stakeholders fully examine our progress and achievements in improving our sustainable development.

#### **Methodology for Data and Information Collection:**

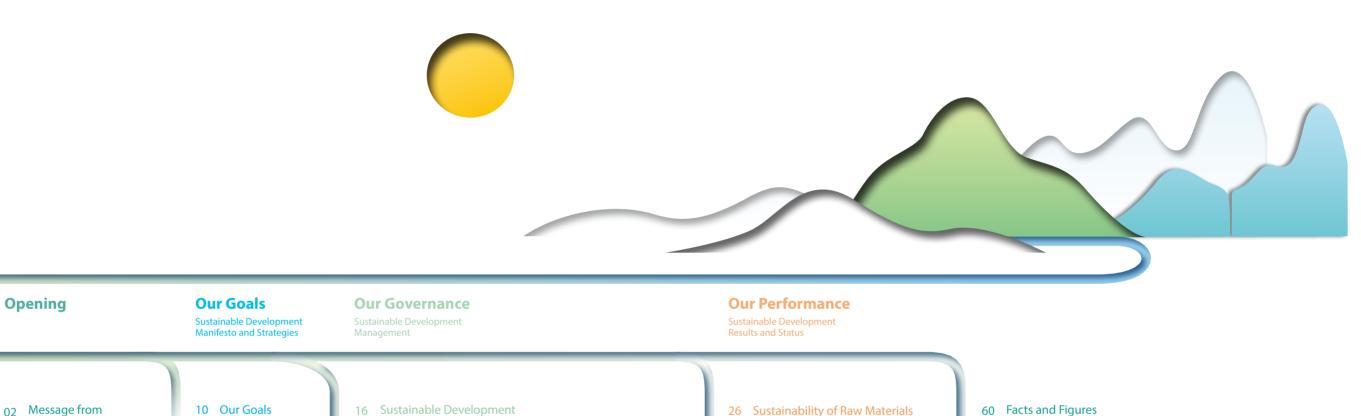
This report is prepared in accordance with GRI (G3.1) with reference to GRI(G4), Global Compact Ten Principles, the official 12th Five Year Plan of China's paper industry, relevant policies, cleaner production benchmarks for the paper industry, relevant national emissions standards, forestry, pulp and paper industry standards, laws and regulations of the national and local authorities of APP-China's business operations, and APP-China's best practices in sustainable development. In addition, it refines the definitions, units, standards, formula and footnotes of each indicator.

#### **Clarification on Data and Information Collection:**

Due to a different period and change of the scope of this report, there may be variations or certain areas for the same indicator where comparisons are not feasible.

Certain data presented in the sections of Message from the Chairman and Corporate Profile is aggregate of all entities operating under APP-China. Figures and information presented in subsequent sections only refer to the aggregate of entities specified in the scope of this report, except where specified.

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# **Corporate Profile**

Total assets valued by the end of 2013

RMB 137 billion

Sales revenue

A1 billion

APP-China is synonymous with Sinar Mas Paper (China) Investment Co., Limited and the group of companies under its direct investment in China. APP-China began investing in manufacturing sites in China in 1992 focusing primarily on the Yangtze and Pearl River Deltas. APP-China has established Gold East Paper, Ningbo Zhonghua, Ningbo Asia, Gold Huasheng, Gold Hongye, Hainan Jinhai Pulp & Paper and Guangxi Jingui Pulp & Paper with state-of-the-art technology and equipment and modern fastgrowing, large-scale plantations. Gold East Paper is the largest paper mill in China and the world's largest art paper producer, while Ningbo Zhonghua and Ningbo Asia are two of the largest industrial paper producers in China today. Gold Huasheng is one of China's biggest diversified fine paper producers. Similarly, when it comes to tissue, Gold

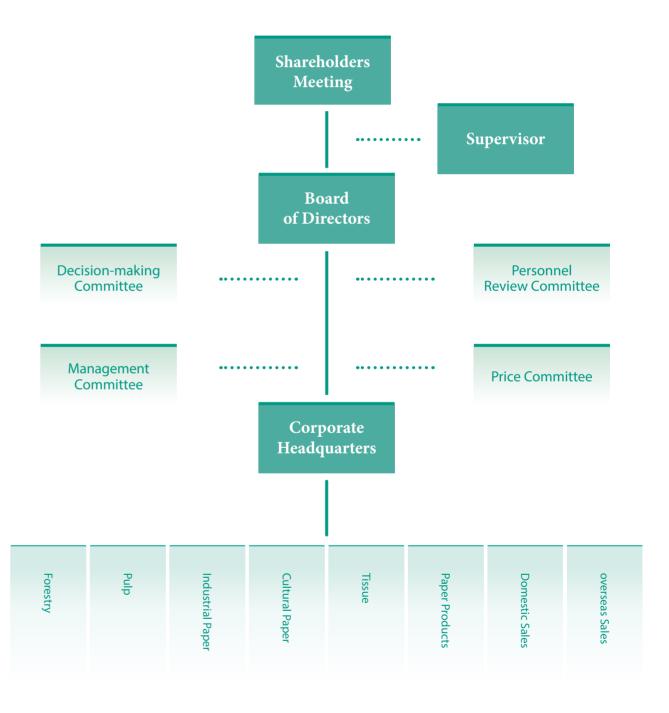
Hongye is one of the largest household paper makers in China and Asia. Hainan Jinhai Pulp & Paper is one of the largest pulp producers in China. Guangxi Jingui Pulp & Paper is the largest Chemical Mechanical Pulp producer in China.

In 2013, APP-China owned over 20 pulp and paper mills as wholly owned subsidiaries and holding companies and 19 forestry companies, with total assets valued about RMB137 billion. Total annual production volume of its mills reached 11 million tons, with sales revenues of RMB41 billion. By the end of 2013, the company had approximately 40,000 full time employees.



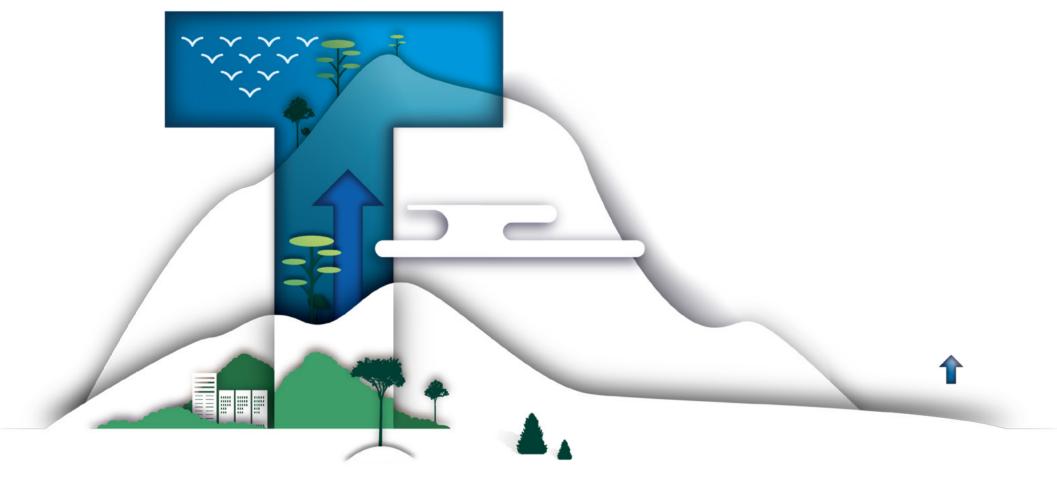


## **Organizational Structure**



## **OUR GOALS**

# -Sustainable Development Manifesto and Strategies



As a global leading pulp and papermaker, APP acknowledges that a sustainable paper industry is attainable only by resolving the contradiction between growing market demand, environmental concerns and limited resources. Over the years, APP-China and its employees made a commitment responsible papermaking and to participating in all environmental and sustainability initiatives so as to better undertake our environmental and social responsibilities. Together with paper industry peers, APP-China strictly followed what it committed to in the manifesto throughout its operations, namely, long-term cleaner production to promote favorable industry growth to balance economic, social and environmental development.

Our Vision:APP-China will continue to be the world's premier, fully integrated green-cycle plantation, pulp and paper conglomerate.



#### Integrated

To increase the overall benefits to the business by operating throughout the industry chain from plantation, pulp and paper to converted paper products and related industries.



## The Largest

To be the leader in the industry and number one in the world by being equipped with the largest production capacity, the most state-of-the-art technologies and the most thorough customer service network.



#### The Strongest

To manufacture highquality products to maximize profitability through the most effective management team and strongest R&D.



#### Green Cycle

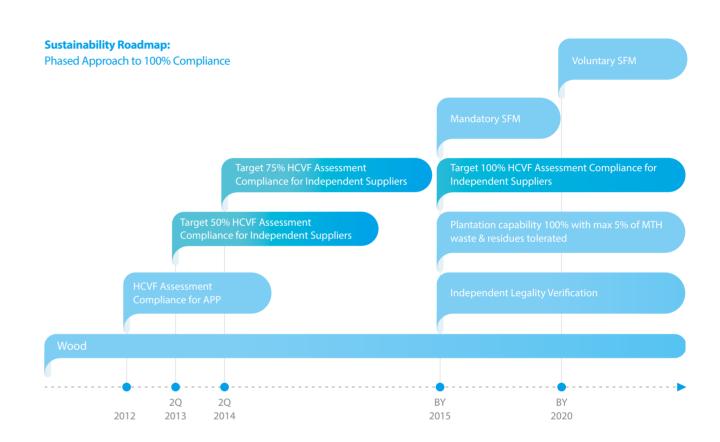
To take care of the large cycle from plantation to pulp and paper making, as well as the small cycle of using recycled paper for production.

With the core concept of "plantation-pulp-paper", APP-China not only continues its commitment and actions to corporate sustainable development but also exerts its influence in the industry chain to promote the modernization of China's paper industry. In December 2013, APP-China attended the "Paper Contract with China 2013" even with the theme "Plantation-Pulp-

Paper Integration: Leading the Industry into the Future". There, Gold East Paper and Hainan Jinhai Pulp & Paper shared best practices in "Plantation-Pulp-Paper Integration," green papermaking and technology innovation, and discussed how to meet the challenges and explore ways of future development for China's paper sector.

"Plantation-Pulp-Paper" is driven by the market, and calls for the linkage of three interdependent entities: plantation, pulp and paper. This requires paper producers to be held responsible for plantations, to take care of raw materials and wood pulp, to develop eco-friendly ways to produce pulp and paper and to form an interlinked cycle where all three phrases of production support one another. This is the road to promote corporate sustainability for an individual paper company and for overall development of the paper industry. (Please refer to APP-China Sustainability Report 2009)

On June 5, 2012, APP announced its "Sustainability Roadmap Vision 2020" for the next decade and beyond. The Sustainability Roadmap extends APP's commitment in further improving environmental performance, biodiversity conservation and protection of community rights, as well as sets goals to be achieved at different stages.



This is a major commitment and investment from APP Group. We are doing this for the sustainability of our business and the benefit of society. We hope all of our stakeholders will support our new Policy, help us along the way and urge other industry players to follow. As a leading pulp and papermaker, APP acts to be leading in sustainable development too.

— Mr. Teguh Ganda Wijaya, Chairman and CEO

On the way to achieve its sustainability goals, APP hopes to promote open and transparent communications with more stakeholders. To help stakeholders learn the progress we have made in meeting our commitments, in September, 2012, February, 2013 and September, 2013, APP released progress reports of "Sustainability Roadmap Vision 2020" to disclose measures in different stages, our cooperation with and responses to governments and NGOs, and goals achieved. APP-China welcomes more stakeholders' engagement which would greatly help us to achieve the goal ultimately.

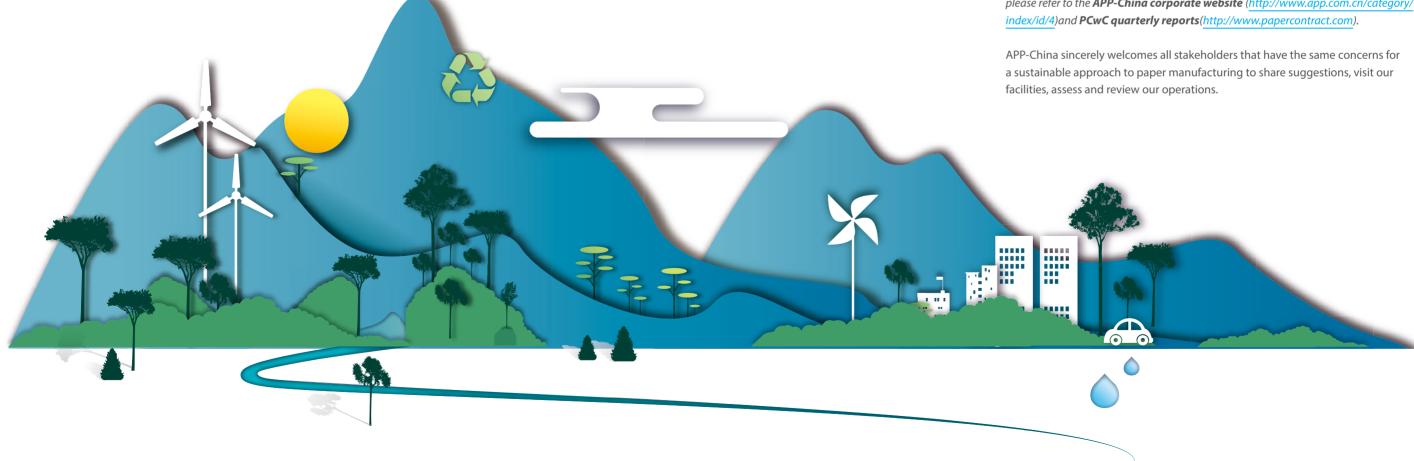
APP-China follows the same series of commitments by establishing and implementing sustainable development plans based on environmental sustainability in China and the group's commitments, fulfilling corporate social responsibility as well as improving management of sustainable development across the industry supply chain. ( Please refer to Sustainable Management of Plantation and Responsible Procurement) To promote the realization of the sustainable development goals of the paper industry, APP-China continued to abide by the company's sustainability

pledges, entitled "Paper Contract with China" (PCwC), reported the progress on a quarterly basis and established a sustainable development information communication platform to share insights on environmental and other relevant policies, corporate philosophy and practices.

### **APP-China's commitments in PCwC include:**

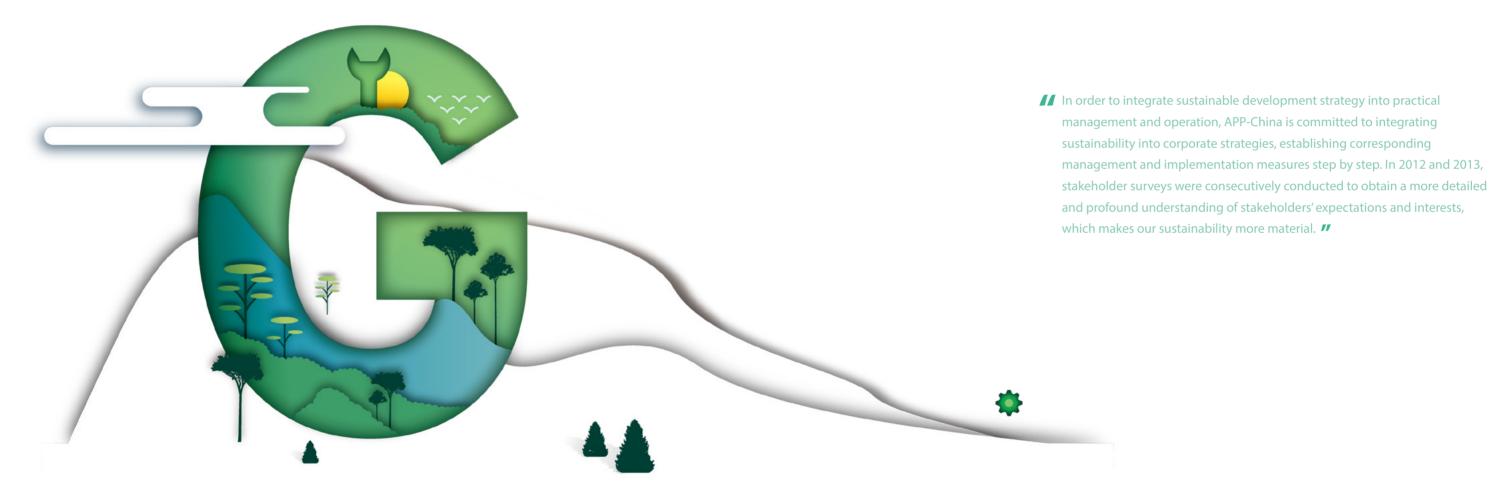
- To continuously seek to improve sustainable forestry and conservation protection practice in the areas where we operate and to be part of the solution;
- To contribute to the fight against global warming by implementing measures in all our subsidiaries and associated business entities to conserve energy, reduce emissions and practice global leading environmental standards whilst engaging employees to support the company's environmental initiatives;
- To continue APP-China's commitment to community empowerment and harmonious relationships with communities by promoting economic growth, creating job opportunities, investing in infrastructure in rural areas and building schools where we operate;
- To build a sharing platform to promote China's sustainable development of plantation, pulp and paper sectors with related stakeholders, including peers, government, industry associations, media, academia, student societies and NGOs.

For APP-China's sustainability strategies, implementation schemes and latest updates, please refer to the **APP-China corporate website** (http://www.app.com.cn/category/



## **OUR GOVERNANCE**

# -Sustainable Development Management



# corruption

## Sustainable **Development** Management

From 2012 to 2013, in line with global management, APP-China set up a "Sustainability Committee" that is responsible for putting globally sustainable development policies into practice, developing sustainable development plans in China, guiding sustainable development actions, and establishing sustainability management system in the group to manage sustainable operations from aspects of plantation management materials control, certification, customer services etc.

Persistently raising employees' anticorruption awareness has also been a priority of legal compliance at APP-China. Internally, APP-China used multiple channels, such as setting up an anti-

corruption mail box for reporting problems, signing the "Employee Professional Ethics and Probity Code of Conduct" document and installation of bulletin boards to enhance communications with employees on internal control and anticorruption as well as to improve employees' awareness. Externally, APP-China published anticorruption announcements on the corporate website and printed the anticorruption mail box address on business cards to communicate anticorruption information to keep external stakeholders like suppliers and contractors informed of our anti-corruption policy and code of conduct, which would bring them with us together to maintain a healthy, fair and transparent business environment.

## **APP-China Employee Professional Ethics and Probity Code of Conduct**

In order to allow the relevant employees to work impartially, fairly and objectively, ensure each department to function effectively, protect company's interests and establish business environment without corruption, APP-China requires the relevant employees to comply with the following professional ethics and probity code of conduct.

All local and foreign employees except intern, hereinafter referred as "relevant employees".

#### B. Professional Ethics Code of Conduct

- 1. The relevant employees should abide by related laws and regulations of the People's Republic of China when performing duties.
- 2. The relevant employees shouldn't engage in any activities at the expense of national interests, the group's (company's) interests or professional honor.
- 3. The relevant employees should be independent, objective, honest and diligent when performing duties. 4. No relevant employees may, by taking advantage of his/her position, obtain any benefits which may affect professional judgments when performing duties.
- 5. The relevant employees should execute their duties impartially and fairly based on their professional precautions and judgment, so as to safeguard the group's
- 6. The relevant employees should maintain and continuously improve professional qualifications to perform their positive and proactive professionalism
- $7. The \ relevant \ employees \ should \ offer \ honest \ services \ to \ the \ group \ (company) \ without \ any \ violation \ against \ principles \ of \ honest \ and \ integrity \ and \ integrity \ for \ in \ for \ in \ for \ for$
- 8. The relevant employees should comply with principles of confidentiality and follow the company's rules to manage internal and external information when
- 9. The relevant employees should possess strong interpersonal skills to maintain appropriate relationships with internal and external organizations and people related to the
- 10. The relevant employees should accept and take training programs continuously to increase professional service quality.

#### C. Probity Code of Conduct (including but not limited to the following 10 items):

- l. The relevant employees should build and maintain the image of their department, restrain their behaviors and avoid intentionally jeopardizing the group's (company's) or the department's image.
- 2. The relevant employees should not allow their direct relatives to set up personal companies to have transactions and/or conduct the same businesses with APP group (company) and its associated companies. They should avoid employee's direct relatives working in the sales departments of the companies which have transactions with APP Group (company) and its associated companies
- 3. The relevant employees should not use their position to obtain gifts or other financial property and benefits from suppliers.
- 4. The relevant employees are prohibited from any gambling associated with monetary gaming and betting with suppliers and contractors as well as interchangeof interests or inappropriate banquet dining with the possibility of affecting occupational judgment when outside the office or in the field (including vacations and non-working hours during operations).
- 5. The relevant employees should apply for the supervisor's approval to dine with suppliers and contractors if necessary. Meals should be simple and frugal with no extravagant spending when conducting field work. If the supervisor disapproves, they shouldn't attend.
- 6. The relevant employees should obtain supervisor's consent to attend dining or banquets hosted by suppliers and contractors for traditional festivals or other special occasions. Relevant employees should avoid attending without any company
- 7. The relevant employees should advocate company's policy of no acceptance of gifts from suppliers and contractors during certain festivals (such as Midautumn Festival). Any individual shouldn't accept gifts sent by suppliers and contractors
- 8. The relevant employees are prohibited to abuse or reveal any confidential information obtained from their duties and should follow corresponding obligations of confidentiality.
- 9. The relevant employees should possess strong interpersonal skills to maintain appropriate relationships with internal and external organizations and people related to the group (company)
- 10. The relevant employees should develop a good and frugal life style and avoid attending indecent venues or participating in illegal activities.

I have read and agreed to abide by the related regulations and requirements of the above ten items in the probity code of conduct. I am willing to accept the company's penalties or termination of the employment contract if there is any behavior of violation.

In 2012 and 2013, APP-China continued to promote certification of management systems and achieved sound results.

## **APP-China Certification Status Overview** (as of December 31, 2013)



			700	
	ISO9001	ISO14001	OHSAS18001	PEFC-CoC
Gold East Paper	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Gold Huasheng	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Suzhou Gold Hongye	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Ningbo Zhonghua	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Ningbo Asia	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Hainan Jinhai Pulp & Paper	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Guangxi Jingui Pulp & Paper	Periodic audit	Periodic audit	Periodic audit	Periodic audit



## Stakeholder Engagement

As the scope that stakeholders focusing on enterprises extends gradually, enterprises should deepen cooperation and communication with internal and external stakeholders to further understand and respond to stakeholders' requirements. Step by step, APP-China improves stakeholder

communication channels and conducts stakeholder surveys to obtain evaluations and suggestions about corporate sustainability performance and to support corporate social responsibility actions that are most material to stakeholders.

## Stakeholder Communications

Questionnaires collected

**514** copies

Questionnaires from

184 carios

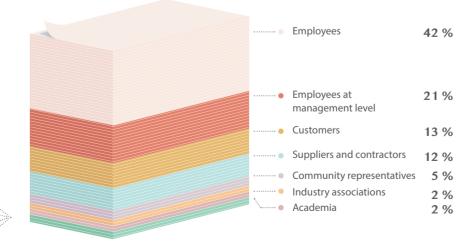
Senior executives

Media Banks NGOs GRI (G4) raises the bar for information disclosure of corporate sustainability reporting. To address this trend, APP-China improves its stakeholder engagement and communication process by designing questionnaires effectively and round table discussions to uncover expectations and recommendations of various stakeholders.

In 2013, APP-China cited reference of GRI (G4) standards to refine questionnaires to be more systematic and rigorous and to cover more issues of GRI (G4). It paves the way for a smooth transition to greater disclosure under GRI (G4) for future reports. Meanwhile, we sought to improve readability of questionnaires to increase the quality

of valid questionnaires and sample size. Last but not least we adopted a more detailed breakdown of internal stakeholders to take a deeper look at expectations across different positions.

APP-China divided its stakeholders into employees with various positions (corporate decision makers, management and employees), customers, community representatives, suppliers and contractors, industry associations, academia, NGOs, media and banks. In total, we collected 514 valid questionnaires which almost doubled the valid questionnaires collected in 2011. Among them, 184 copies and 35.8% were for external stakeholders, and 330 or 64.2% were for internal stakeholders.



Moreover, to improve our understanding of stakeholders' evaluation on the sustainable development issues of APP-China, twelve corporate social responsibility experts and opinion leaders from NGOs, academia and corporations were invited to attend a round table meeting, and to give recommendations on a variety of issues such as sustainable development

strategies and management framework, industry leadership, product innovation, charity activities and philanthropic initiatives. At the same time, APP-China consulted experts about format and contents of sustainability information disclosure to better respond to stakeholders' needs in future sustainability reports.

# Paper Co

## **Paper Contract with China**

Faced with increasing shortages and scarcity of natural resources, China's paper industry needs to explore a green, eco-friendly and sustainable industry model for future development. As a pilot of plantation-pulp-paper strategies, APP-China contributes to sustainable development itself and the whole industry by setting up industry communication platforms and launching communication programs continuously to advance mutual development with upstream and down-stream players, as well

as to promote innovation and transformation for the papermaking industry in China.

Since 2008, together with industry associations, APP-China hosted "Paper Contract with China", an industry sustainability forum, to enhance industry communication and sustainable development in China. In 2012, representatives at the forum with the theme "Quality Paper Lifestyle" illustrated technological development of the industry and discussed how product life-cycle of

household paper impacted people's lives and environment. In 2013, the forum themed "Plantation-Pulp-Paper Integration: Leading the Industry into the Future", brought together over 100 distinguished guests from government departments, enterprises, industry associations and academia, who made in-depth discussions about the current development, transformation and upgrading related to energy-saving and emission reduction of China's paper industry.



# APP-China Sustainability Media Gatherings

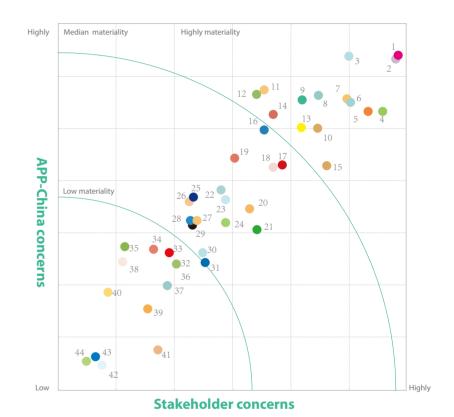
During the progress of sustainable development, APP highly values feedback from external stakeholders and remains committed to ongoing multi-stakeholder collaboration. In August 2013, APP-China held two media gatherings in Beijing and Shanghai respectively to share progress updates of two sustainability platforms: "APP Sustainability Roadmap Vision 2020" and "Paper Contract with China (PCwC)", and to listen to journalists' opinions on sustainability issues via sincere, transparent and open communication, expected to build a long-term and positive relationship with external stakeholders.



## Materiality Analysis

Materiality analysis contributed to identifying core issues of sustainable development, to adjusting management priorities with specific directions and to delivering more effective sustainability

results. In 2013, with a quantitative questionnaire study and quality round table discussions, APP-China's materiality analysis is demonstrated in the following chart:



#### 1. Working conditions and safety security

- 2. Safety measures
- 3. Environmental compliance
- 4. Reuse and recycling of waste and emission disposal
- 5. Education and training
- 6. Labor relations
- 7. Water resources utilization
  8. Raw materials sourcing and procurement
- 9. Financial and economic performance
- 10. Total impacts on environment

**Economic issues** 

- 11. Compliance
- 12. Market behavior

#### 13. Employees Employment

- 14. Abiding by laws & regulations
- 15. Products and services and their impacts on environment
   16. Customer health and safety
- 17. Greenhouse gas emissions reduction
- 18. Energy efficiency
- 19. Market communications
- 20. Compulsory labor21. Employee diversity and equal
- 22. Human rights and benefits for local communities
- 23. Input of human rights

financial and economic performance.

- 24. Labeling of products and services
- 25. Anti-corruption
- 26. Customer privacy protection27. Equal payment of male and female
- 28. Local communities where the
- 29. Labor grievance mechanism
- 30. Indirect economic impacts
- 31. Biodiversity
- 32. Environment issues complaint
- mechanism

  33. Freedom of association & collective bargaining

- 34. Shipping & logistics
- 35. Anti-competitive behavior
- 36. Child labor
- 37. Supplier impacts on environment
- 38. Human rights complaint mechanism
- 39. Procurement behavior (local)
- 40. Public policy41. Supplier labor rights conditions
- 42. Supplier impacts on society
- 43. Supplier human rights security
- 44. Compliant mechanism of social issue

#### Based on the above chart, key stakeholder concerns are as below:

# Environment issues environmental compliance, reuse and recycling of waste and emission disposal, water resources utilization, raw materials sourcing and procurement, total impacts on environment and products and services and their impacts on environment etc. Social issues working conditions and safety security, safety measures, education and training, labor relations, raw materials sourcing and procurement, market behavior, employment of employees, legal compliance and customer health and safety etc.

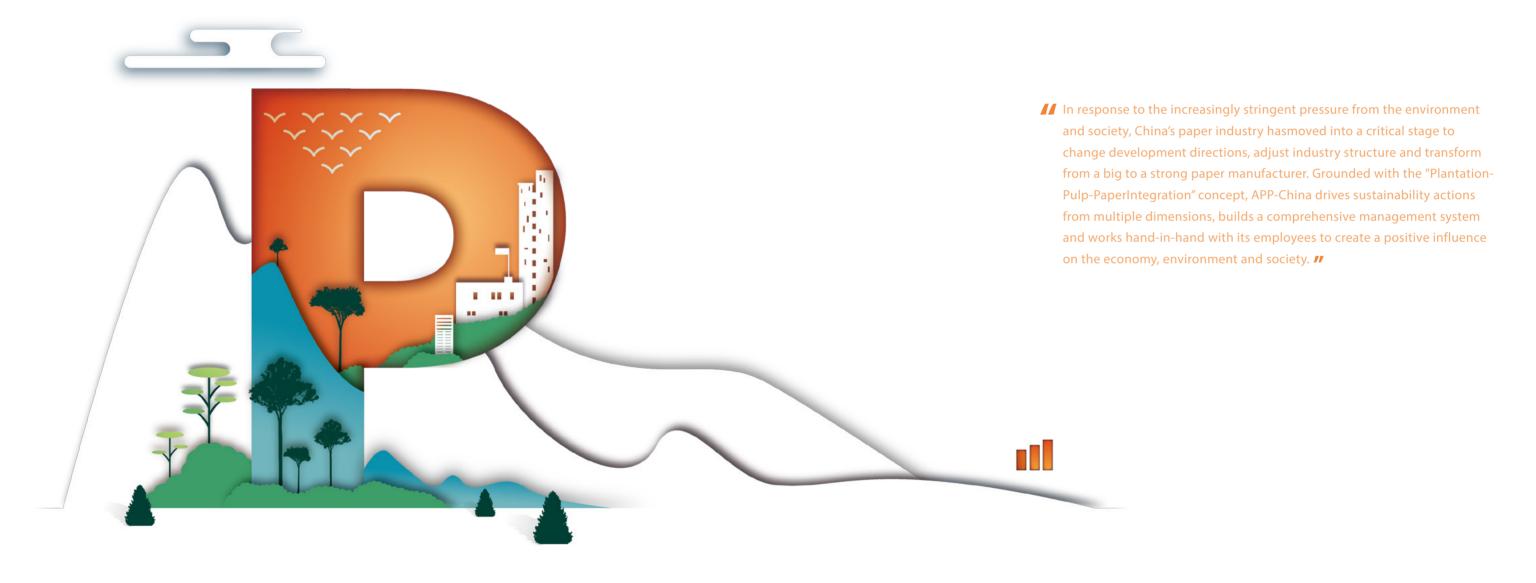
#### **Overview of Stakeholder Concerns and Communications Content Stakeholders Key Concerns of Stakeholders Communications Content Employees** Working conditions and safety security Please refer to Occupational Health and Safety. Safety measures Please refer to Occupational Health and Safety. Labor relations Please refer to Employee Rights. **Education and Training** Please refer to Growth and Development. **Employment of employees** Please refer to Employee Rights. Products and services and their impacts on environment Please refer to Products and Services. Financial and economic performance Please refer to Corporate Profile and Facts and Figures. Water resources utilization Please refer to Water Resources Management. Environmental compliance Please refer to Environment. Waste and emissions management, reuse and recycling Please refer to Environment. Total impacts on environment Please refer to Environment. Market behavior Please refer to Products and Services. Please refer to Sustainable Management of Plantation Compliance Responsible Procurement Environment and Employees. Please refer to Sustainable Management of Raw materials sourcing and procurement Plantation and Responsible Procurement. Customer health and safety Please refer to Products and Services. Please refer to Products and Services. Legal compliance Customers Labelling of products and services Please refer to Products and Services. Market communications, market behavior Please refer to Products and Services. Waste and emissions management, reuse and recycling Please refer to Environment. Customer health and safety Please refer to Products and Services. Please refer to Sustainable Management of Raw materials sourcing and procurement Plantation and Responsible Procurement. Products and services and their impacts on environment Please refer to Products and Services. Please refer to Sustainable Management of Banks Raw materials sourcing and procurement Plantation and Responsible Procurement. Waste and emissions management, reuse and recycling Please refer to Environment. Total impacts on environment Please refer to Environment. Financial and economic performance Please refer to Corporate Profile and Facts and Figures. Please refer to Sustainable Management of Plantation Compliance Responsible Procurement Environment and Employees. Customer health and safety Please refer to Products and Services.

Note: Stakeholder concern columns are displayed top down based on the study findings, with the upper ones indicating issues of greater concerns and with higher materiality.



## **OUR PERFORMANCE**

-Sustainable Development Results and Status



## **Sustainability** of Raw Materials 🌲

## As the global leading papermaker, China is confronted with economic, environmental and social challenges after extensive development over decades. Moreover, the paper industry needs to develop in a more sustainable manner due to increasing awareness of the public about environmental protection, and focus on

of China (CPC) Central Committee. APP-China insists on its development model of "Plantation-Pulp-Paper Integration" and advocates sustainable plantation management and responsible fiber procurement and processing policy (RFPPP), to build a solid foundation of sustainable operations and sustainable development for the industry.

## **Sustainable Management of Plantation**

As a cornerstone of "Plantation-Pulp-Paper Integration", APP-China adheres to the scientific management of plantations to achieve sustainable development within APP-China as well as the broader society, economy and environment.

building ecological civilization at the 3rd

Plenary Session of 18th Communist Party

Under the guidance of the "APP Sustainability Roadmap Vision 2020" in 2013, APP-China Forestry (ACF) stipulated related policies and rules. New operation policies such as "Vision and

Mission", "Society and Employment of Work Force," "Sustainable Development of Business Operation Policy" and "Environment Policy" were put into effect on July 19, 2013. APP-China has committed to taking stricter measures in managing plantation and ecological conservation. More stringent and standardized management systems will be implemented to maintain sustainable plantations.

## **Sustainable Operation Policy**

To become a world-class forestry company, APP-China Forestry abides by the principles of sustainable plantation to produce and supply raw materials of timber. Hence, ACF commits:

- 1.To abide by laws and regulations of national and local governments, including related conventions signed by the Chinese government, and to only work with contractors and suppliers who comply with the above mentioned commitments;
- 2.To compile and implement forest management plan with timely updates and improvement according to national and local forestry development strategies and planning;
- 3.To adopt scientific management for plantation to enforce sustainable development of production, environment and society; To protect natural forests in China and ensure that plantatio operations for plantation for pulp and papermaking do not involve any conversion of natural forests;
- 4.To establish and improve corporate standardized systems and promote progress; to enhance performance management, guarantee the quality of products and increase economic efficiency.
- 5.To maintain a stable eco-system during operations by:
- 5.1. Not using transgenic tree species:
- 5.2. Preventing soil erosion, pests, diseases and alien invasive species;
- 6.To manage harvesting operations strictly, eliminate illegal logging and minimize its negative impacts to environment and society;
- 7.To consolidate our Chain-of-Custody (CoC) system to achieve traceability of plantation

ACF guarantees effective communications and understanding of our "Sustainable Operation Policy" among all of its employees, business partners and stakeholders, applying it to all of its business area.

In order to evaluate the sustainable development performance of APP-China ACF, APP-China developed an integrated score card system according to recognized and reliable sustainability indicators to evaluate forest management performance at APP-China. This score card system referred to the China Forest Certification Council

(CFCC) and Forest Stewardship Council (FSC) systems. In 2013, it was applied to pilot sites of a Guangdong subbusiness unit. After prudent evaluation, this system is expected to roll out and be put into practice throughout APP-China Forestry (ACF). More detailed data and information will be released later in a timely manner.

### **High Conservation Value Forest**

To fight against global environmental challenges such as climate change, forests are pivotal in sequestering carbon from the environment. Natural forests offer a fundamental solution to lower atmospheric carbon dioxide. In an attempt to further reduce the environmental impact of corporate operations, APP announced a new "Forest Conservation Policy (FCP)" for

an immediate halt to all natural forest clearance in February 2013. APP will work with third parties to conduct independent assessments of High Conservation Value Forests (HCVF) and High Carbon Stock (HCS) Forests and will take specific protection measures based on evaluation of these assessments.

## APP's Commitments of High Conservation Value Forests (HCVF) and High Carbon Stock (HCS) Forest

APP and its suppliers will only develop areas that are not forested, as identified through independent HCVF and HCS assessments.

- From 1st February 2013 all natural forest clearance has been suspended while HCV and HCS assessments are completed. No further clearance of areas identified as forest will take place.
- APP has conducted an initial assessment of its entire supply chain. It has prioritized HCV and HCS assessments in concessions that up to now have been supplying the company with natural forest fiber. HCV and HCS areas will be protected.
- Regarding HCS assessment, work has started to identify areas and determine the quality of forest cover. Satellite analysis, supported by field work, will identify areas that will be protected as well as low carbon areas that can be developed as plantations.
- Any existing natural forest logs within APP's supply chain cut before 1st February 2013, such as stocks in log yards, will be utilized by its mills. Any fiber cleared from land which is not forest, such as scrub land, will also be utilized by its pulp mills.
- APP will withdraw from all purchase and other agreements with any supplier who is found not to be in compliance with these commitments.
- These commitments are being monitored by The Forest Trust (TFT). APP will welcome independent 3rd party observers to verify implementation

——From APP's Forest Conservation Policy

FCP applies to APP's business operations in China. APP-China will continue to protect natural forests in China and ensure that the operations of plantations for for pulp and papermaking do not affect any natural forests. At the same time, for the high conservation value

(HCV) areas involved with our selfmanaged plantation concessions, APP-China will take steps to incorporate HCV protection into forest management plan and ensure they are protected after commenced and related assessments.

> For China, HCV is a fairly new concept without relevant official confirmation. Under the limited conditions, APP-China and TFT used a set of draft maps of national HCVF produced by world renowned NGOs as guidelines to carry out a preliminary work of HCV study and assessment and to collect related data of APP-China self-managed

plantations for optimizing the map with information such as locations and distance from potential HCV areas since 2013. Meanwhile, APP-China paid more attention to environmental impact assessment and formulated environmental protection measures during forest road construction.

## **Hainan Ecological Restoration Program**

Since 1997, Jinhua Lin Forestry under APP-China started to operate plantations in Hainan, while part of the concessions were close to a natural conservation zone near the central mountain areas of Hainan province. Several years later, the Hainan government decided to enlarge the size of some natural conservation zones, biological forests with public interests and water conservation forests to protect central areas of Hainan province rich with biodiversity. Part of the large areas of agriculture and economic land in the past was planned as natural conservation or

protected areas as well, so part of the forest land of Jinhua Lin Forestry had been affected. APP-China supported planning and adjustment made by the government and guaranteed to cease operations at all the areas affected by the policy change. The Forestry Department of Hainan Province and APP-China ACF considered that the solutions for protecting biodiversity at local were important, and that they needed to implement environmentally friendly solutions.

To address this situation, right after the launch of the "Forest Conservation Policy" in February 2013, APP-China decided

to conduct proactive stakeholder communications and collaboration to create a platform of dialogue with various stakeholders in an equitable and transparent way and to explore and support concrete ecological restoration proposals in Hainan. Since 2013, APP-China and TFT had commenced stakeholder communications with key stakeholders in the field to pave the way for planning and executing the Hainan programs. APP-China will continue to keep the FCP related promises, and make contributions to the economic development and ecological protection of Hainan.

300,000 hectares

28

On the other hand, APP-China insists on increasing output of self-managed plantations by adopting a scientific approach of plantation management. In the 1990's, APP-China set up the first engineering operation unit of the "Plantation-Pulp-Paper Integration" program in Hainan, APP-China began to roll out self-managed planations to meet the demand for pulp and papermaking and to provide important sources of fiber for its paper mills. By the end of 2013, APP-China's

plantation concessions in the form of rental and profit sharing, areas reached approximately 300,000 hectares.(Please refer to APP-China Sustainability Report 2010, 2011).

Please refer to APP-China Forestry corporate website: http://www.acf. com.cn for further details of APP new "Forest Conservation Policy" and APP-China Forestry Sustainable Development Operation Policy, Society, Employment of Work Force and Environment Policy.

### **Certification of Forest Management System**

As an important part of APP's "Sustainability Roadmap Vision 2020", APP-China actively promotes its forest certification process, including third-party review of

#### Forest Certification

Forest certification is to adopt a market mechanism to promote sustainable forest management. It is a tool to fulfill ecological, social and economic goals. In general, it includes Forest Management certification (FM) and Chain of Custody certification (CoC).

- FM is carried out for a forest operation unit An independent third-party forest certification body follows acknowledged principles and standards to audit a forest operation unit's forest operation performance according to designated standards, and to verify the unit's operation meets requirements.
- CoC is carried out for all the production processes of timber converting, including auditing of the complete chain from transportation, converting and distribution of plantation wood, to ensure final products are manufactured from raw materials sourced from a certified and properly managed forest.

#### Forest Certification Schemes:

- Global forest management certification system: Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification Schemes (PEFC)
- National forest management certification system: China Forest Certification Council (CFCC), Lembaga Ekolabel Indonesia (LEI), The Sustainable Forestry Initiative America (SFI), Australian Forest Standards (AFS), Canadian Standards Association (CSA), Malaysian Timer Certification Council (MTCC) and so on.

180,000 hectares

In 2007, China's State Forestry Administration promulgated the "China Forest Certification Council -Forest Management Standard (CFCC-FM). APP-China had since proactively adopted this standard to improve its corporate sustainable forest management system. In July 2012, five of APP-China's forestry companies in Hainan, Guangdong and Guangxi, underwent and passed CFCC-FM's

audits. In January 2013, APP-China's companies in Hainan and Guangxi districts became the first national pilot enterprises of CFCC and they cooperated to complete the related work for performance analysis and study of forest certification. By the end of 2013, more than 180,000 hectares, approximately 60% of APP-China's plantation tenure areas, were CFCCcertified.

#### **Topsoil Preservation and Biological Diversity Conservation**

As an important source of APP-China's pulp and paper mills, APP-China hopes that plantations not only meet corporate production needs but also alleviate climate change through photosynthesis, achieve biological balance and protect soil fertility. Using a scientific management approach, APP-China hopes to maximize sustainable plantation and facilitate sustainable development of the environment for local communities.

To better understand and evaluate plantation impact on the local

environment and ecosystems and to adjust directions of development operations accordingly, APP-China commissioned third-party organizations, including research institutes and tertiary schools, to monitor its plantation activities and evaluate risks of sustainability to ensure positive effects on the local environment of plantation management and production practices. In 2012 and 2013, APP-China Forestry continued to commission thirdparties to conduct ecosystem impact monitoring programs.

29

corporate assessments, to ensure sustainability of its operations.

ACF Business Units	Third-Party Monitoring Organizations	Monitoring Items	Monitoring Results
Yunnan (Wenshan sub- business unit, Lancang sub- business unit)	Research Institute of Resource Insects of the Chinese Academy of Forestry (CAF)	Species diversity, topsoil preservation, soil, wood storage and mean increment, biomass	Compared with degraded mountains and bushes, soil erosion of eucalyptus forest as industrial raw materials is lower than that of degraded mountains and bushes. There is only slight grade of soil erosion. Soil erosion volume during flooding season of surface and underground hydrology is much lower than 500t/k m².a¹, the national standard of tolerant soil erosion volume of rocky mountains in southwest China. Monitoring of soil within eucalyptus plantations indicates that abundant organic matter is contained within its surface soil; therefore, land fertility is not adversely affected. Eucalyptus plantations have relatively good topsoil preservation capabilities. Further, the more its trees age, the higher its topsoil preservation, which is far better than that of degraded lands.
Guangxi business unit	Guangxi University	Biological diversity, topsoil preservation, soil fertility, quarterly water quality of surface and underground hydrology, mean increment, biomass and nutritional elements, pests and diseases, recovery and restoration of natural forestry landscaping, carbon budget	The ecosystem biomass is over 8 times higher and arborescent stratum layer productivity is over 25 times higher after the replacement of sparse mason pine forest by eucalyptus. Therefore, using eucalyptus to replace degraded secondary low-productivity mason pine forest and bushes does not risk reducing biomass and productivity.
Hainan business unit	Research Institute of Tropical Forestry of the Chinese Academy of Forestry (CAF)	Biological diversity, soil fertility, topsoil preservation, hill slope hydrology, surface and underground hydrology quality, nutritional elements, carbon budget, recovery and restoration of natural forestry landscaping, mean increment	Species diversity in understory growth in forests is affected by differing densities of plantations used for pulp and papermaking. Biological diversity of plantations for pulp and papermaking of APP-China is higher than those of farmers' and adjacent economic forests. Compared with degraded hilly lands, there is a greater abundance of herbaceous plants and fewer types and lower volume of brushes in plantations for pulp and papermaking than those of degraded hilly slopes. Compared with degraded secondary forests in the neighborhood, species types and volume of brushwood layer of degraded secondary forests are higher than those of plantation for pulp and papermaking. Total volume of herbaceous plants of degraded secondary forests is lower

Biological diversity, topsoil

preservation, hill slope

hydrology, surface and

quality, recovery and

landscaping

underground hydrology

restoration of natural forestry

Guanadona

business unit

Guanadona

Forestry

Research

Institute

Third-party ecosystems monitoring results showed that APP-China achieved topsoil preservation and biological diversity conservation through scientific plantation management.

plantation.

but with greater biological diversity.

For 30 audited plantation samples in Oingyuan and Shaoguan,

soil fauna biodiversity of eucalyptus forest, was relatively higher

than that of mason pine forest, Chinese fir forest, and degraded

there is a greater abundance of ecofriendly soil fauna such as

earthworms in eucalyptus forests, and there are fewer harmful

moth has never been found in any audited samples of eucalyptus

soil fauna. There are very few cutworms and grubs, and pine

grasslands, and similar to degraded secondary forest. Statistically,

#### **Social Issues**

APP-China's self-managed plantations are made of thousands of plantation compartments. These compartments are fairly small and distributed as dispersed and fragmented plots surrounded by small tracts of farmland owned by local farmers living in neighboring areas near ACF's plantation concessions. As a common practice, the vast majority of APP-China self-managed plantations

sign long-term lease agreements or cooperative contracts with local communities and lease or cooperate with individual farmers. This increases social issues with individual farmers and local communities due to the operations of APP-China self-managed plantations.

ACF's operation also includes certain social disputes due to the involvement

of several related individual farmers and communities as well as other adjacent farmland not related to ACF. In 2013, ACF announced a new "Society and Employment of Work Force" policy to actively work hand in hand with our communities to solve related problems and to promote our relations with local farmers in the neighborhood of our plantations.

## **Society and Employment of Work Force Policy**

ACF made the following commitments to ensure plantation management activities create positive effects for its neighboring community citizens, company staff and forestry workers:

- 1. To abide by laws and regulations of national and local governments, including related international conventions by the Chinese government, and only work with contractors and suppliers who comply with the above mentioned commitments;
- 2. To acknowledge and respect rights of community citizens including traditional rights of ethnic minorities and to adhere to Free, Prior and Informed Consent (FPIC) principles during our decision-making process;
- 3. To pay close attention to community development, to enact corporate social responsibility measures and to explore, stipulate and deliver participative community development programs with local residents and ethnic minorities;
- 4. To acknowledge, respect and realize labor rights, including empowering workers to register and organize labor union by law, to prohibit hiring underage workers and to eliminate employment discrimination;
- 5. To resolve conflicts and disputes in a responsible and non-violent manner;
- 6. To eradicate any form of corruption, including blackmail and bribery;
- 7. To reinforce supplier management to adopt proactive measures to protect rights of contractor workers;
- 8. To implement comprehensive occupational health and safety measures, to continue to improve the operational environment and conditions, to put an end to serious injury and its related occupational health and safety accidents;
- 9. To arrange education, training and career development opportunities, medical care facilities and services for its employees, to safeguard worker's privacy and to prevent any compulsory labor;
- 10. To strengthen ACF's internal and external cooperation to achieve mutual benefits with stakeholders.

ACF guarantees effective communications and understanding of the "Society and Employment of Work Force policy" among all of its employees, business partners and other stakeholders to be carried out throughout its business area.

To achieve a mutually beneficial solution with stakeholders, APP-China has worked with The Forest Trust (TFT) to develop a series of new social participation and dispute handling system. The first step of the new system is to analyze the root causes of related social issues first and then

work out social dispute mapping for APP-China's self-managed plantations. The second step is to guarantee this new proposal is embedded into the company's daily operation. This can be achieved by introducing new guidelines and procedures for handling social disputes involving APP-China and by

conducting regular training programs of the Free, Prior and Informed Consent (FPIC) system for ACF employees and managers. The ultimate goals are to build a society management system to achieve reciprocal prosperity in harmony with local communities.

<sup>&</sup>lt;sup>1</sup> ACF Operational Standards indicates that belt afforestation is adopted during the process to eliminate soil erosion of plantation.

# Responsible Procurement

As the most crucial issue of the industry chain of paper production, responsible raw material sourcing and procurement is the foundation of sustainable development for the papermaking industry.

In 2012 and 2013, APP-China continued to meet its targets in the Sustainability Roadmap Vision 2020 in China. Sixteen pulp and paper mills of APP-China have been PEFC-CoC certified.

# APP-China PEFC-CoC Certified Companies by the End of 2013



n 2013, the quantity of wood fiber purchased in China by APP-China accounts for

Sinar Mas Paper (Shenzhen) Co., Ltd.

64%

16

For the wood fiber procurement, APP-China adopts a strict responsible procurement policy. Compared with 2011, there was a significant increase of recycling wood fiber ratio sourced from plantations in 2012 and 2013. To respond to external stakeholders' requirements,

there was a sharp growth of total amount of PEFC-certified wood fiber. Wood fiber was sourced mainly from China and other regions of Asia. The quantity of wood fiber purchased in China accounts for 53% and 64% of the total volume respectively in 2012 and 2013.

SGS-PEFC/COC-1640

## 1

## The 3<sup>rd</sup> Party Fiber Supply Chain Assessment

A considerable amount of timbers and chips for pulp making are sourced from third-party suppliers for the pulp mills of APP-China, and the others are sourced from APP-China's self-managed plantations in China. APP-China stipulates a procurement policy to prohibit the use of mixed tropical hardwood (MTH) for pulp mills in Hainan, Guangxi and Jiangsu provinces, preventing natural forest usage on a policy level.

In addition, APP China has begun to develop a due diligence system for chip and log supply chain of pulp mills since 2013, which includes drawing our supply chain maps based on the sources of wood chips. Meanwhile, evaluation and audit of responsible procurement policy is being conducted for chip and log suppliers of all pulp mills. A series of inspection audits and risk mitigation activities are being implemented for third party chip mills in China and Vietnam. Related training programs are being rolled out for APP China's procurement team and third party chip suppliers.

Wood chips plants are the typical domestic suppliers of plantation timber. They source plantation timber from medium and small forestry farmers, and state-owned and private plantation concessions. In order to strengthen the compliance of wood chip plants for medium and small forestry farmers and avoid potential sustainability risks, APP-China and TFT has jointly conducted on site audits and taken risk management measures mainly dealing with the legality and traceability of

timber. These actions assist wood chip plants in improving their management and lowering their management and lowering sustainable development risks, in order to fulfill the requirements of APP

Imported plantation wood chips are mainly from Asia. For procurement in Asia, APP has abolished any procurement from high risk areas, such as Laos and Cambodia. APP China is working closely with TFT, to conduct field inspection and trainings in Vietnam, and assess and monitor fibre supply from Vietnam to ensure compliance with the APP Group's responsible procurement policy.

In 2013, wood fiber sourced from Chir

1.45<sub>million tons</sub>

Compared with 201 increased by

19

Mechanical pulp and chemical pulp procurement accounted for 18% and 82% in 2012 and 15% and 85% in 2013 for total procurement of APP-China's nine pulp and paper mills under the scope of this report, of which certified wood fiber demonstrated significant

growth. APP-China also increased the total volume of local procurement. In 2012 and 2013, wood fiber sourced from China reached 1.4788 million tons and 1.4511 million tons, increased by 21% and 19% respectively compared with 2011.



	2011	2012	2013
Total procurement (ten thousand tons)	294.73	338.43	346.26
Total amount of certified pulp (ten thousand tons)	60.26	77.97	72.25

n 2013, imported pulp reached

**1.91** million tons

In 2012 and 2013, the total amount of imported pulp was 1.8655 million tons and 1.91million tons, respectively, accounting for more than 50% of total procurement in each year. Imported pulp was mainly sourced from other regions of Asia and North America.

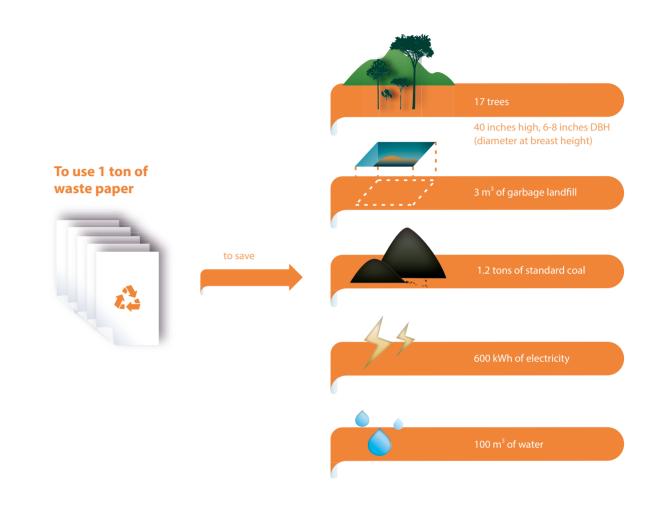
In addition to direct pulp procurement, recycled waste paper is also an important source of papermaking at APP-China. Ningbo Zhonghua and

Ningbo Asia recycle a large amount of waste paper as raw materials to produce their industrial paper products each year. Total procurement volume of waste paper used by Ningbo Zhonghua and Ningbo Asia in 2012 and 2013 was 0.582 million tons and 0.514 million tons respectively. Recycling waste paper not only contributes to a substantial reduction in the use of wood fiber and chemical raw materials, but also reduces environmental impact and emissions.

## **2012-2013 Overview of APP-China Pulp Sourcing Regions**

2012





# 2011-2013 Overview of Ningbo Zhonghua and Ningbo Asia<br/>Procurement for Recycled Waste Paper as Raw Materials201120122013Ningbo Asia(tons)412,780422,610358,200Ningbo Zhonghua(tons)184,099159,085155,977

<sup>\*</sup>In 2012 and 2013, due to the adjustment of production structure, procurement for waste paper decreased compared to previous years.

## **Environment**

For a long time, the paper industry has been confronted with environmental challenges with high input, high consumption and high pollution. In 2011 the National Development and Reform Council promulgated 12th Five Year Plan's Development Initiatives for the Paper Industry with emphasis on increasing environmental protection awareness, and proactively promoting energy conservation, cleaner

production, emissions reduction and pollution control to protect the natural environment. APP-China set an example by improving its stringent management system to minimize impact caused by corporate operations from water, energy, air and solid waste and so on. All of the measures were to build a cleaner paper production chain under the new environment together with its business partners.

# Water Resources Utilization

As the area with the greatest environmental impact caused by papermaking operations, water resources have been a focal point of environmental management for APP-China. Continuous technical upgrading of water saving and reclaimed water reuse equipment made APP-China an industry leader in terms of wastewater discharge and pollutant emissions.

From 2012 to 2013, due to the paper production line of Guangxi Jingui going into operation and the increasing production volume of Hainan Jinhai, Suzhou Gold Hongye and Ningbo Asia, indicators like total water consumption, water consumption per unit of product, wastewater discharge and COD emissions increased slightly, but these still stayed below the international leading benchmarks.



# 2

## UN Global Compact "CEO Water Mandate" — Our Actions

Facing environmental challenges along with limited water resources, we hope to work with our peers to promote sustainable development of water resource by our actions. In 2011 six major mills under APP-China, including Gold East Paper, Hainan Jinhai Pulp & Paper, Ningbo Zhonghua, Ningbo Asia, Gold Huasheng

and Suzhou Gold Hongye, joined the United Nations (UN) Global Compact CEO Water Mandate and became the industry's first group of companies to join this initiative in China.

According to the important subjects of the mandate, we committed to saving water, in particular, to reducing clean water consumption volume, to protecting the origin of rivers and to promoting recycling of water resources. In 2012 and 2013 the six pulp and paper mills continued to increase the total volume of reclaimed water consumption by equipment renovation and R&D of water saving techniques.

# 2012-2013 APP-China Total Volume of Reclaimed Water Consumption for Six Mills (tons)



	2012	2013
Gold East Paper	468,317,655	459,947,772
Hainan Jinhai Pulp & Paper	977,704,528	1,043,531,770
Ningbo Zhonghua	130,417,250	130,747,934
Ningbo Asia	151,347,901	151,348,677
Gold Huasheng	322,985,500	354,629,000
Suzhou Gold Hongye	117,381,642	143,437,210

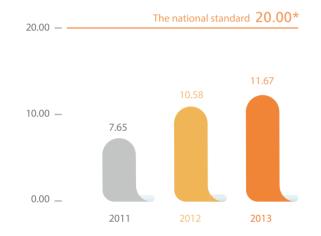
## 2011-2013 Overview of APP-China Water Utilization (tons)



	2011	2012	2013
Total water consumption	99,890,613	105,490,878	124,947,268
Wastewater treatment volume	78,251,277	87,398,997	88,260,859
Reclaimed water volume	13,957,635	13,817,143	13,373,214

In 2012 and 2013, all mills under APP-China continuously upgraded equipment and increased investment in technical renovation to provide a stabdard of water utilization for the industry from aspects of resource and cost saving.

## **Annual Average Water Discharge per Ton of Paper**



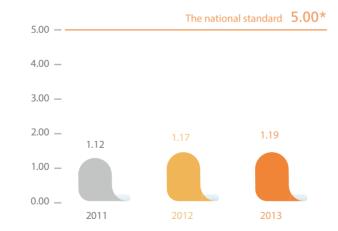
## **Annual Average Water Discharge per Ton of Pulp**



## **COD Emissions per Unit of Product** (kg per ton of paper)



## **COD Emissions per Unit of Product** (kg per ton of pulp)



Note: "\*"The national standard became effective on July 1st, 2011.

## **Gold East Paper Innovative Water Conservation Programs**

As one of the largest art paper producer in Asia, Gold East Paper has been focusing on conservation and intensive utilization of water. Gold East Paper set its goals to increase production without increasing pollution in response to government's call and with consideration of the company's long-term development. In 2013, the average water consumption stood at 8.14 ton per ton of paper, at the forefront of international level.

In 2013, Gold East launched two water conservation programs. One system used sand filtering and deep recycling for clean white water. It employed continuous flows of sand to filter and purify the whitewater applied directly to spray and lubricate the paper machine wire section, thereby increasiing white water reuse in the paper machineand reducing fresh water consumption. By integrating with a traditional whitewater reuse system, this improves whitewater reuse quality and

volume to save RMB5.26 million/year of clean water production and wastewater treatment costs. The second program was upgrading and improving PM1 and PM2 condensers. Adding a new type of defoaming tank vacuum condenser for water reuse of the condenser reduced clean water supply volume to save 1.7 million tons per year. Both of the technology upgrading projects above have been initiated in 2013 and will be accomplished in 2014.

# Guangxi Jingui Pulp & Paper Wastewater Reclamation Technology of Chemical Mechanical Pulp Approved

In 2013, Guangxi Jingui Pulp & Paper and Qinzhou College jointly developed the Pulp and Paper Wastewater Advanced Oxidative Processing Research and Industrialization Pilot Program for Chemimechanical Pulp Wastewater Reuse and Chemical Liquid Recycling". This project was approved under technical appraisals with proven results.

The project was a pioneer both in China and Asia. By import and innovation, Guangxi Jingui Pulp & Paper overcame several difficult problems, i.e., distillers which stuck, heavy black liquor with low heating value and discoloration of white liquor from metal ions that can impact pulp making. Solutions were eventually installed and operations commenced. The study results offered solutions to change the situation without

impairing the alkali recovery system for chemical mechanical pulp in China. This project was a milestone to provide case studies and best practices for a chemi-mechanical pulp unit with zero wastewater discharge and a chemical liquid recycling plant.



## Hainan Jinhai Pulp & Paper Environment Invention Awarded National Patent

In 2012, Hainan Jinhai Pulp & Paper's "one kind of composition methodology for pulp making wastewater flocculant" was awarded an invention patent and certificate by the State Intellectual Property Office in China. When dealing with pulp making wastewater for washing and bleaching processes,

traditional flocculants such as aluminum polychloride bring many disadvantages like high production costs, poor wastewater treatment ratio of COD emissions, and huge amounts of traditional flocculants being required with unfavorable results. Compared with existing flocculanst, the new one developed by Hainan Jinhai

Pulp & Paper will reduce COD emissions by at least 10% and reduce chemical agents by 20-30%. This invention will not only facilitate energy savings, emissions reductions and environmental protection but also create more than RMB 5 million of benefits annually for the company.

## Ningbo Asia Invests in High-Yield Anaerobic Wastewater Treatment System

In August 2013, with an investment of over RMB 25 million, Ningbo Asia's anaerobic wastewater treatment system was put into operation. The installation of an anaerobic treatment system system before the aerobic system can reduce COD by about 60% and lower energy consumption of the aerobic system by

over 40%. The reduction of the aerobic system burden leads to a continuous reduction of COD density of, and saves over RMB13 million costs annually. Further, methane gas and anaerobic sludge generated from the anaerobic reaction can be recycled. Purifying methane gas for production and use and selling anaerobic sludge can achieve

annual benefits of over RMB10 million and over RMB 3 million respectively. These additional benefits from anaerobic investment can recover the cost in one year, and realize dual benefits of environment protection and economic development.

## **Energy Management** and Emission Reduction

**54.2**%

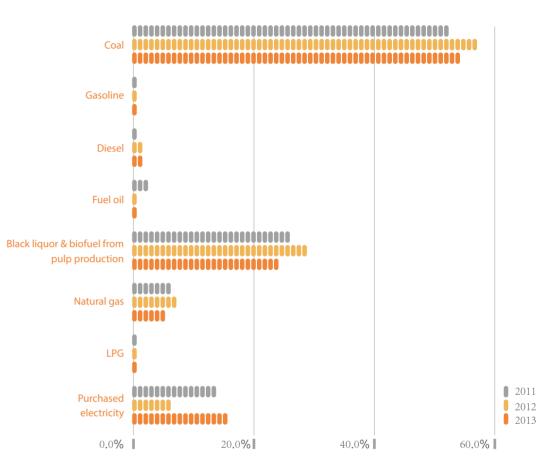
26.2 %

The threat of global warming calls for everyone's proactive efforts to reduce greenhouse gas emissions as much as possible. APP-China has reinforced its energy management system, increased direct investment into energy saving equipment, and adjusted its energy structure to increase new energy consumption sources such as solar power and to lower the company's carbon footprint in its productions and operations.

Coal and black liquor & biofuel from pulp production are the main energy

sources of APP-China. Coal consumption and black liquor & biofuel from pulp production accounted for 57.9% and 29.3% of total energy consumption volume respectively in 2012, and decreased markedly in 2013 to 54.2% and 26.2%, respectively. In the past 2 years, APP-China focused on building an energy management system for its pulp and paper mills, among which, Hainan Gold Hongye, Hainan Gold Shengpu and Hainan Jinhai Pulp & Paper achieved an outstanding performance and obtained ISO 50001 certification.

## 2011-2013 APP-China Energy Consumption Framework for Major Paper and Pulp Mills



# Gold East Paper, Gold Huasheng and Gold Hongye Involved in Jiangsu Province Energy Consumption Standards Draft of Papermaking

To enhance the overall energy performance for the papermaking industry, mills under APP-China actively participated in drafting industry and local standards to promote low-carbon industry upgrading.

For the local standards filing notice of the People's Republic of China (2014, no. 2,vol. 170) limit for total energy consumption per unit of product and

the calculation methods for paper pulp, writing and printing paper, household paper, packaging paper and specialty paper/paper board were initiated by the Jiangsu Province Paper Association, and jointly stipulated by Jiangsu Province Energy Saving Technical Service Center and chief representatives of eight major large and medium sized paper companies such as Gold East Paper, Gold Huasheng and Suzhou Hongye. These standards were made effective on

November 29, 2013. Li Changlin, the Vice Chairman of Jiangsu Province Paper Association, was elected as the leader of the Drafting Committee. Lin hongming, the Deputy General Manager of Gold East Paper, worked as the deputy leader and head of technology on the Drafting Committee, and four professional staff from Gold East Paper, Gold Huasheng and Suzhou Gold Hongye were involved in the drafting of four standards.

> Another environmental issue is city haze, which raises people's concerns and interest in reducing air pollution. Hence, stricter air pollutant emissions standards have been put into effect throughout China that pose new challenges to the pulp and paper sector. With a total air emissions management system, numerous technical innovations and technologies renovations, various

types of air emissions discharged by APP-China were far below the national requirement. The investment of APP-China in environmental protection in 2013 was about RMB 1223.6 million, almost doubled compared to 2011. The investment on equipment used to reduce direct environmental impacts increases year by year.

## 2011-2013 APP-China Investment on Environmental Protection (RMB 10,000)



RMR 8-4 billion

Note: By the end of 2013, APP-China had invested over RMB 8.4 billion in environmental protection, among which large amounts were invested in equipment for eliminating the negative environmental effects. With continuous and significant investment in environmental protection and process control, APP-China ensured all of its pulp and paper products meet the most advanced environmental protection concepts and requirements, and endeavored to minimize its environmental impact.

The air emissions of sulfide and nitrogen oxide were mainly generated from energy consumption processes of APP-China's power plants. Despite total emissions increasing due to the growth of APP-China's production volume in 2012 and 2013, numerous

technical innovations and energy saving renovations, such as desulfurization and denitrification equipment modifications of the boiler, slowed down the overall increase of emissions and achieved a substantial reduction volume of NOx (15%) in 2013 compared to 2012.

## **2011-2013 Overview of APP-China Air Emissions**

	Unit	2011	2012	2013
Total emissions volume of SO <sub>2</sub>	ton	8,962	9,828.29	10,352.295
Total emissions volume of NO <sub>x</sub>	ton	10,373	10,153.296	8,584.383
Particles discharge	mg/m³	355.74	439.13	390.59

# Hainan Jinhai Pulp & Paper Energy Efficiency Technical Innovation Awarded Special Funds by Hainan Provincial Government

In 2012, the project in which Hainan Jinhai Pulp & Paper utilized blown steam from the ash of the alkali recovery system to generate power was listed as a specialized energy saving project and awarded special funds of RMB 4.76 million by the Hainan provincial government. The technical improvement was based on an existing blown alkali recovery system. With an additional 6MW

back pressure turbine and its supplementary system, high-pressure steam generated by the burning processes of the alkali recovery system is used for the power supply. In doing so, this not only increased the turbine's operation time and efficiency, but also allowed the turbine generator to produce power, thereby reducing both SO<sub>2</sub> emissions and the volume of standard coal used, thereby complying with national energy

saving, emissions reduction and high efficiency energy policies. The project required investment of RMB 21 million and was projected to increase annual power generation of about 36.8 million kWh, save 13,248 tons of standard coal per year, eliminating about 54.1 tons of SO<sub>2</sub> emissions per year, and saving RMB 9.27 million per year, creating positive economic and social benefits.

## **Guangxi Jingui Pulp & Paper Obtains Five New Patents**

In July 2012, Guangxi Jingui Pulp & Paper received five patent from the State Intellectual Property Office, four of which were environmental protection patents for cleaner production, energy saving and emissions reduction. The patent for a "pulp-making heat recollection device" modified heating recollection technologies to maximize the reuse of waste steam, minimize air emissions

and improve evaporating, thereby reducing emissions and steam loss for pulp mills. Each year, this is estimated to provide 0.131 million tons of secondary steam for production lines, and a cost savings of over RMB3.6 million. The patent for "slush CFB desulfurization renovation methodology of sludge and lime mud at a paper mill" was related to environmental protection technology. The project used solid waste and lime mud from chemical mechanical pulp in

CFB desulfurization, which lowered costs and made a significant contribution to the environment by reducing 43,000 tons of limestone consumption and creating revenue of over RMB11 million annually



## Suzhou Gold Hongye "Golden Sun" Project

As a pilot corporate program for China's key national "Golden Sun" project, Suzhou Gold Hongye is one of a few paper mills to use the cleaner energy of solar power in China. In line with the national policy of environment governance, the implementation of the "Golden Sun" project realized energy savings and emissions reductions and provided commendable guidance for the paper industry's sustainable development.

Suzhou Gold Hongye's "Golden Sun" project is part of China's key national "Golden Sun" project and is the largest solar power generation projects in Jiangsu province to date. Suzhou Gold Hongye utilized existing roofs to lay out 20MW solar photovoltaic panels with a total area of 0.2 million m². It is predicted to produce 18 million kWh power per year after completion in January 2014. Assuming 3,000 kWh as the electricity consumption per household annually, it will provide electricity equivalent to the consumption

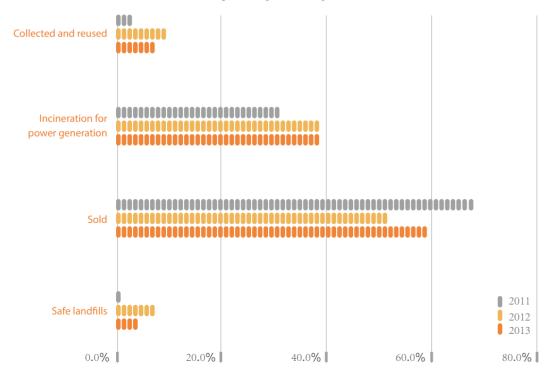
of 6,000 households and is approximately one tenth of the mill's demand. Compared with purchased electricity, this will achieve the balance of economic and environmental performance by annually saving RMB 3.2 million in costs, saving over 6000 tons of coals for power generation, decreasing CO<sub>2</sub> emissions by 19,940 tons, SO<sub>2</sub> emissions by approximately 634 tons, NO<sub>x</sub> by about 317 tons and about 5,754 tons of dustemissions, all per annum.

# Solid Waste Management

Solid waste management has been another priority at APP-China. Major solid waste under the scope of this report includes sludge, fly ash, dregs and grit and hazardous waste, and all of the pulp and paper mills of APP-China have implemented a mature solid waste management system. Based upon this foundation, APP-China hopes to "create"

treasure out of waste" to increase both economic and environmental value. In 2012 and 2013, the reuse ratio of Sludge and the volume of dregs and grits incinerated for power generation and sold electricity demonstrated remarkable growth and a reduction of landfill volume.

## 2011-2013 Overview of APP-China General Solid Waste Treatment of Major Pulp and Paper Mills



## 1

## **Gold East Paper Cooperates With Research Institutes to Promote Waste Utilization**

To reduce three industrial wastes and reduce cost, Gold East Paper is developing wastes utilization technologies by conducting joint research with universities and colleges such as Beijing University, Nanjing Forestry University, Jiangsu University and Beijing Printing College. For example, Gold East Paper has adopted

Wuhan University's scientific technology of fly ash aerated concrete bricks to replace traditional clay bricks. Gold East applies CO<sub>2</sub> emitting from flue in its power plant to produce precipitated calcium carbonate (PCC), a filler for papermaking, and sends sludge to the boiler for desulfurization substituting calcium carbonate and uses treated wastewater

discharge to prevent dust, road cleaning and plant irrigation. According to incomplete statistics, these measures are estimated to save over RMB 100 million for the company.

## 2013 Total Resources Utilization Chart of Gold East Paper



Resource Category	Volume of Total Utilization	Treatment Method			
CO <sub>2</sub> (10,000 tons)	410	Applied $CO_2$ emitting from flue of its own power plant as raw mater to produce PCC.			
Fly ash (ton)	154,500	Zhenjiang Fly Ash Utilization and Development Co., Ltd. was commissioned to total utilization of fly ash.			
Sludge (ton)	59,915	Ningguo Kete Solid Waste Disposal Co., Ltd. was commissioned to total utilization of sludge.			
	27,877	Used for boiler desulfurization of its own power plant.			
Waste Residue (ton)	6,192	Zhenjiang Fly Ash Utilization and Development Co., Ltd. was commissioned for total utilization of waste residue.			
	12,812	Used for boiler desulfurization of its own power plant			
Other solid wastes (ton)	43,010	The company opened bids. Contractors were in charge of total utilization of solid waste.			
Hazardous waste (ton)	228	Contractors with solid waste disposal and utilization qualification to conduct total utilization.			
Garbage (ton)	750	Zhenjiang New District Environment and Sanitation Management Division was commissioned to timely transportation and disposal.			

## **Employees**

Employees' key concerns often focus on working conditions and safety security, safety measures, training and development, labor relations, diversity and equal employment which are also foundations of sustainable development. APP-China insists "people oriented" as its guiding principle and it shows care about employees' key concerns with proactive feedback while

protects their basic rights. The company actively improves its labor safety management system to provide a safer working environment, establishes a career development system and training system for effective talent cultivation, and sets up a fair and reasonable salary and welfare system for protecting employees' interests.

## **Employee's Rights**

Basic rights of employees have been given a high priority with practical actions by APP-China. According to Labor Law of the People's Republic of China, Law of the People's Republic of China on Employment Contracts, Trade Union Law of the People's Republic of China, Administration of Labor in Foreign Investment Enterprises Provisions and other local laws and regulations, APP-China signs official labor contracts with employees and performs effectively. All employees are treated fairly in APP-China without any discrimination such as gender, nationality, religion and age while no child labor is allowed. APP-China invites experts to deliver speeches on a series of laws and regulations on employee's rights to raise employees' self-awareness, and more and more employees joined the labor union. In 2012 and 2013, there were no complaints reporting to high authorities or letters sent to high authorities on forced and compulsory labor.

As of December 2013, there was 36, 526 staffs employed under the scope of this report. Among them 28, 356 staffs were directly employed and 8,170 staffs were indirectly employed. There were 2,334 staffs of foreign nationalities and ethnic minorities and 7,546 female

staffs accounting for 8.24% and 26.61% respectively of direct employment. Percentage of female staffs in the management team kept growing over the past three years. At the end of 2013, there was 502 female staffs in the management team, representing 20.97% of total employees in the management team.

In order to stimulate staff's morale and attain employees' satisfaction and loyalty, APP-China devotes itself to create a good working environment and improve welfare system for all employees, which decrease the employee turnover rate effectively. Up to December 2013, turnover rate of total employees dropped 19.65% compared to the past 2 years (including Gold Hongye fast moving consumer goods company).In 2012 and 2013, the retention rate of female employees after maternity leave and that of male employees after paternity leave increases comparing with 2011.

As of December 2013,

36,526

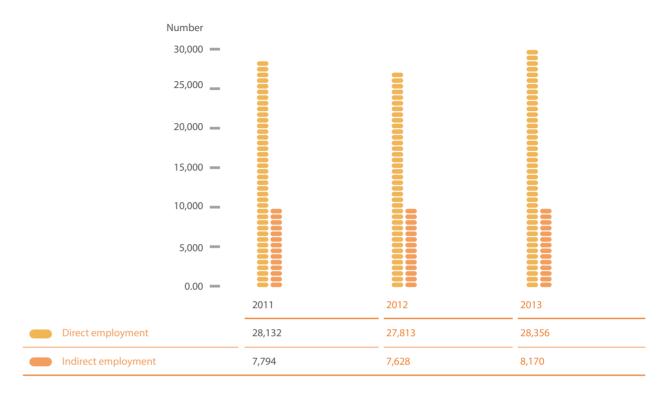
Of foreign nationalities and ethnic minorities

2,334

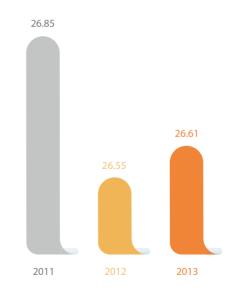
ccounts for

8.24 % of total staff

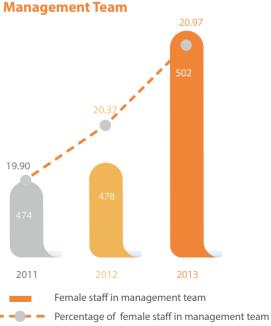
## **2011-2013 Number of Direct and Indirect Employment**

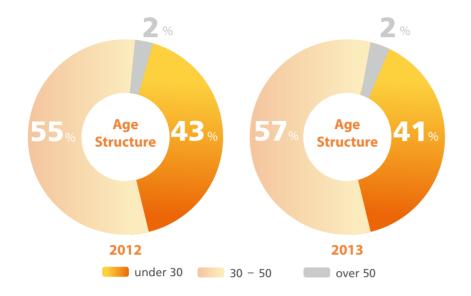


## **Percentage of Female Staff**

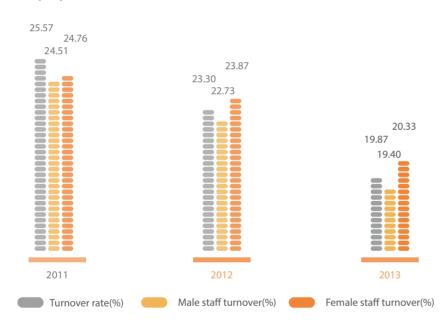


## Percentage of Female Staff in





## **Employee Turnover Rate**





For salary and welfare, APP-China highly respects the contribution of employees and establishes fair salary system which includes equal pay for equal work as well as a performance-based salary adjustment system. Employees in APP-China enjoy higher salaries than the lowest payment stipulated by the governments and various insurances such as pension, job loss, medical,

work-related injuries, maternity and legal reserve of house acquisition purchased by APP-China periodically. In addition to basic benefits, APP-China purchases employer liability insurance and transportation accident insurance for maximum protection of employees' benefits.

# Occupational Health and Safety

According to the key findings of 2013 stakeholder survey, safety measures, working conditions and safety security are on the top of key concerns for APP-China's employees. Using OHSAS 18001 as occupational and safety management tool and platform, APP-China establishes and improves industrial safety guarantee mechanism for its mills and business units.

APP-China continues to detail the safety production management system, strengthen occupational health and safety management for its employees and commit to abolishing all of the occupational injuries, diseases and fatalities. Safety upgrade programs are formulated and executed by each mill to improve safety in working area and provide a safe and comfortable working environment for all employees. In the meantime, a series of outdoor emergency first aid training programs are provided to forestry management

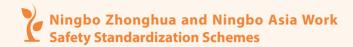
staffs and workers to further enhance their safety awareness and self-rescue capability under emergency.

2 fatal accidents happened in both 2012 and 2013, which occurred in inspection and outing activities. To fundamentally put an end to such accidents from happening again and to better protect workers' safety, each mill has carried out safety risks inspection, refined work procedure management and reinforced equipment examination and maintenance. In 2012 and 2013, lost hours per million working hours were 1119.49 and 1157.08 respectively for the business units and pulp and paper mills under this report scope of APP-China. At the same time, APP-China invested 3.9704 million and 4.032 million respectively on personal protection equipment, which shows a dramatic growth compared with previous years.

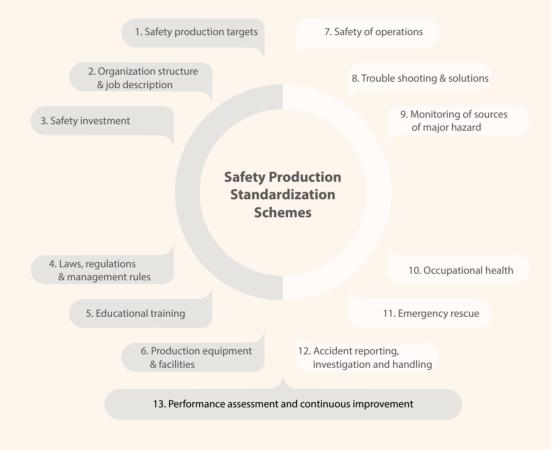
In 2013, investment of personal safety

4.03 million





Ningbo Zhonghua and Ningbo Asia actively launched production safety troubleshooting in 2013, tracked corrective actions and received effective improvement. In 2012 and 2013, no fatal accident occurred at work or by occupational diseases at Ningbo Zhonghua and Ningbo Asia.



## **Grow and Development**

APP-China concerns employees as the most precious assets and spares delicated to offer a sound career development environment. A series of talent training and development activities are launched to develop internal talents and comprehensively help employees to improve their work skills. Total training investments in

2012 and 2013 reached RMB11.345 million and RMB8.258 million respectively. In addition to internal training opportunities, APP-China also encourages employees to attend further study and provide training sponsorship.



	2011	2012	2013
Total training costs(RMB 10,000)	1,250.07	1,134.53	825.79
Total training time for male employees (hour)	604,253.17	1,066,255	786,850.58
Total training time for female employees (hour)	291,631.54	193,968	173,717.32
Number of employees sponsored by company in pursuit of degree study (person)	176	65	48
Company sponsorship funds for employees in pursuit of degree study (RMB 10,000)	69.98	53.43	30.91

## APP-China Employee Development Plan

APP-China has established a succession planning system for its headquarter, Jinhai Pulp & Paper and Gold East paper, periodically and effectively followed and monitored the talent development by key talents discovery, capability assessments, career development counseling and personal development plan-making. With the systematic and scientific approach, the talent development and pool of the group could be further improved.



## Gold East Paper Employee Scientific Training System

Built upon the model of employee capability and competence, Gold East Paper further improved its scientific training system which can cover all employees:

- To improve new staff orientation and establish Mentor/Angel system, allocate senior manager to be Mentor while assign enthusiastic staff as Angel to help new staff adapt to working environment and corporate culture.
- To conduct technician trainer qualification examination for entry-level employees, expand their career development path as well as strengthen their industrial safety learning.
- To improve middle level management training on the directions of professional techniques, management qualification and employees' psychological guidance, equipped them with management skills to upgrade their managerial level.
- To set up the fourth EMBA class cooperated with Jiangsu University to develop more talents for senior management.
- To organize the "MBA Application Camp" to apply MBA learning to daily practices by research projects to benefit company.
- To proceed Employee Assistant Program (EAP) activities to reinforce EAP mentor's theoretic and practical skills to offer better employee psychological support and services.

## **Products** and Services

Our stakeholder survey highlights that marketing promotion, client health and safety (product quality) and the environmental impacts of products and services are key concerns of stakeholders as well as material issues at APP-China. Great emphasis has been laid on innovation of products and services by APP-China while to assure clients' health and safety based on strict quality management, so as to promote industrial sustainable development.

## **Innovative Products**

How to upgrade technical level of technologies and transfer technology into productivity are top priorities for APP-China even under severe cost pressures. In 2012 and 2013, based on the guidance of Management By Olympic Systems (MBOS) (Please refer to APP-China Sustainability Report

2009), APP-China advocated product innovation in its mills and acquired many patents of technologies and innovative products. This move both increased production efficiency and reduced environmental impacts of products on the use-phase.

## Product Innovation of Gold East Paper

As a leading company of fine art paper in China, Gold East Paper established a complete product innovation incentive mechanism to create more value for clients.

On the 41<sup>th</sup> International Exhibition of Inventions of Geneva in April 2013, "Gold East Paper Eco-friendly Medical Photocopy Paper" was awarded the first prize of the highest grade and two special awards of ORAFJ and The Russian Delegation.

With clear, fast and lasting imaging, doctors are able to effectively read treatment reports and diagnose. Compared with its counterparts, this eco-

friendly technology invention minimized its carbon footprint by reducing 10% of original fiber, 20% of water and 35% of energy consumption during production. More importantly, it took more than 10 thousand years for traditional plastic film to complete biodegradation however it only took 10 years for the new invention to biodegrade in the soil naturally. For its medical application, it has been treated with antifungal and antibacterial effects to prevent cross infection caused by various diseases in hospitals with 99% of antibacterial effects for colibacillus and staphylococcus which was inspected by Guangzhou Bacteria Research Institute. Furthermore, it reduced photocopy costs.

In addition, Gold East Paper passed an on-

site audit conducted by the expert team of national standards in 2012 and became one of the first companies to be awarded the certification. At the same time, Gold East Paper's art paper (food-grade, could be wax coated) was awarded certificate as Jiangsu Province High-tech Products and has applied patent during the R&D process which was a favorable product extension of previous eco-friendly commercial fine art paper. A new product, bulk density rotated matt double-sided arts paper, was also awarded certification of Jiangsu Province Haig-tech Products which can accelerate production efficiency and reduce transportation costs compared with competing products.

## Suzhou Gold Hongye's Household Paper of New Energy Conservation Technologies

By utilizing technical breakthroughs and equipment innovation, Suzhou Gold Hongye succeeded in developing new energy conservation technologies in household paper production. Compared with its counterparts, this paper can save 9% of energy consumption and large amount of other resources with the application of new patented

technology such as Hydroseal, energy saving blanket, intelligent press rolls, high performance doctor plate, new paper antishaking technology and blanket protection technology. In 2013, it passed a scientific technology investigation and was accredited as Jiangsu Province High-tech Products.



## **Product Quality**

Product quality is the foundation for APP-China to serve its client and community. Established quality management platform based on ISO

90001, as of the end of 2013, those pulp and paper mills under APP-China's scope of this report all attained ISO90001 certification.



## Hainan Gold Hongye and Gold Shengpu Passes Product Quality Inspection

In October 2012, the overall results of Hainan Gold Hongye and Gold Shengpu were "satisfactory and vertical wet strength needed to be improved" for the physical testing of tissue paper organized by the Quality Inspection

Center, Dongguan City, Guangdong province. In 2013, the results of Hainan Gold Hongye and Gold Shengpu were "satisfactory" for the cross -laboratory physical testing comparisons of household paper organized by the Quality Inspection Center, Dongguan

City, Guangdong province. The results of two testing comparisons have been proven of high levels in testing technique and quality control system of Hainan mill, which provided reliable quality assurance for its products.



## Ningbo Zhonghua and Ningbo Asia Customized Product R&D Inspection Indicators

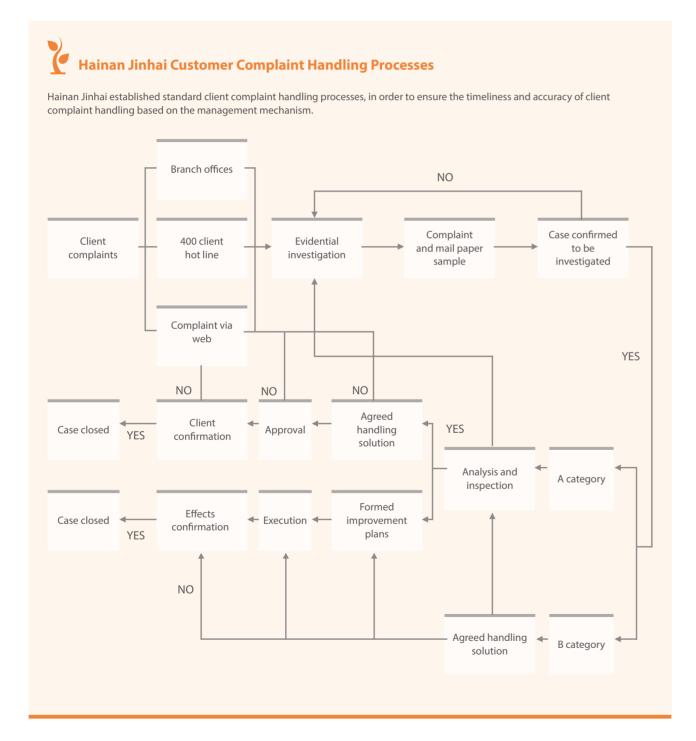
To further safeguard product quality, quality control departments of Ningbo Zhonghua and Ningbo Asia continued to intensify product inspection with relentless efforts and customized specific testings of certain product features

according to clients' demands. For example, cracking and ink bursting testings in 2012 and 2013 were not only improved product performance but also provided high quality products to better meet clients' needs.



## **Quality Services**

With strict product quality control, APP-China has established a complete client service guarantee system and customer complaint handling processes. This provides a variety of innovative services with an aim to upgrade service quality continuously in compliance with the management philosophy of reverse thinking, market-driven and with the ultimate goals of client satisfaction.



# Sinar Mas Print Award

As a global print award with an authoritative, professional and influential reputation, Sinar Mas Print Award built a platform to select the industry's best products. This endeavours to promote exchange of the latest printing technologies and materials, encourage a wide range of international cooperation, discover the infinite potential for printing and papermaking technology,

offer more professional customer services, show case printing technologies to produce high quality products and advance technical communications and collaboration for downstream industry players. In 2013, with a theme of "Harmony with the world, Printing for the future", the sixth Sinar Mas Print Award invited participants and the judge panel to explore sustainable development for the printing industry.



# Society and Community

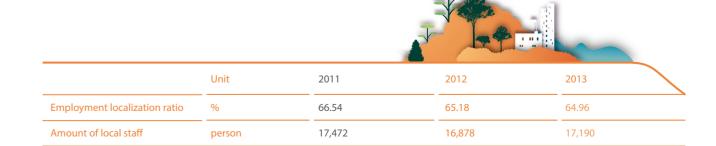
As an external stakeholder, community would be influenced mostly and directly by corporation's operation. A responsible corporate citizen should pay close attention to neighboring communities even the whole society proactively, to promote the economic development of communities and a harmonious society through its own development. With extensive

organizations dispersed in different provinces of China, APP-China works and interacts closely with local communities. APP-China strives to adopt best practices to protect the interests of local residents and communities and to build a harmonious relationship with local communities by developing the economy, community engagement and caring for vulnerable groups.

## **Local Development**

Modern papermaking industry, as a technology-intensive and talent-intensive industry involved with many fields such as chemistry, chemical engineering, forestry science, environment and mechanics, etc. plays a vital role in promoting multi-level employment and development of local

investment and trade. While operating business, APP-China has provided a large amount of job opportunities, increased personal income and promoted local residents to master modern technology and management so as to improve their quality of life.



# **APP-China Forestry Creates Local Job Opportunities**

79.1%

APP-China's forestry concessions are widespread and dispersed, and many of them are located in under-developed regions. In addition to hiring local employees, APP-China Forestry promotes local economic development by boosting community labor services and sidelines combining its unique

business operations. In 2013, APP-China Forestry provided over 1,400 jobs with direct employment, from which the employment localization ratio reached 79.1%, and over 400 positions with indirect employment such as temporary foresters and work consignment.

## To increase income of local labor













## To increase sidelines job opportunities (materials procurement, work consignment and transportation)













## **Community Engagement**

Besides improving the efficiency, APP-China evaluates impacts of its operations to local communities in different ways. By communicating with the communities, APP-Chinahas conducted many exploring practices to protect the rights of local residents. Furthermore, we take proactive steps to build long-tern relations with local communities and encourages staff to participate in voluntary services activities for community building.

## "Green Footprint" in Guangxi

In achieving its sustainable development, APP-China hopes to deliver the environmental protection ideas and get more attentions through activities and practices. In July 2012, APP-China and

Guangxi Jingui Pulp & Paper associated with relevant environmental NGOs and volunteers launched "Green Footprint" by field visit and studies on plantation operations, green pulp making and social feedback to arouse

attention and communication on green development practice of the paper industry in Guangxi.





## "You Use Paper, We Plant Trees" Voluntary Tree Planting Activities

On Arbor Day of 2012 and 2013, Gold East Paper, Hainan Jinhai Pulp & Paper, Ningbo Zhonghua, Gold Huasheng, Gold Hongye, Hainan Jinhua Lin Forestry

organized voluntary tree planting activities in their local communities. With 3-4 staff per team, volunteers cooperated in tree planting. Among them, APP-China Forestry, Jinhua

Lin Forestry, Hainan Pulp & Paper, local teachers and students planted over 800 trees and Gold Huasheng planted 400 water Chinese fir.

	Unit	2011	2012	2013		
Input of volunteer services	Man hours	57,369	52,159	54,367		

# **Charity and Philanthropy**

APP-China cares for the vulnerable groups such as children, the disabled, the aged and victims of disasters of countryside especially by providing assistance on their economic and emotional needs.



In 2012 and 2013, the program "APP Internships at NPOs (Non-Profit Organizations)" continued. Funded by APP-China and hosted by Huang Yi Cong Foundation, this philanthropic program encourages college students to take a full-time internship at local NPOs during summer. It builds a platform among NPOs and college students, helps students gain insight into these organizations, and brings fresh blood to NPOs, which also benefits future social and philanthropic development in China. In 2012, "APP Internships at NPOs" was awarded one of the "Best Case of MNC

Corporate Social Responsibility" by China Philanthropy Times and one of the "2011 China top 10 Cases of Philanthropic Programs" by Global Charity. In 2013, 50 college students and 24 organizations in Shanghai, Nanjing and Beijing joined in the program.



# Love Your Paper

In September 2012, APP-China kicked off "Love your paper" donation plans of tissue at Hainan Yangpu Economic Development Zone. Studies show that due to the lack of knowledge and common sense, rural children often use notebook paper or newspaper instead of tissue in toilet which will easily cause illness. APP-China worked hand in hand with parents, schools, governments and

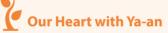
media to care for rural children's individual hygienic habits.. Hainan Gold Hongye donated various categories tissue of Breeze brand valued over RMB 50,000 to Hainan Yangpu 1st primary school and installed roll tissue boxes as well. In 2013, the project extended to Longquanyi of Chengdu and Minhang of Shanghai. APP-China continued the tissue donation and additional designed environment classes, factory tour and a

series of competition on environment protection to help raise children's awareness of individual hygien. Suzhou Gold Hongye has donated tissue products worth over RMB 150 thousand to above the mentioned three schools located in Hainan, Chengdu and Shanghai.



A 7.0-m

RMB 30 million



A 7.0-magnitude earthquake occurred in Lushan, Ya-an on April 20, 2013. With quick relief actions, APP-China donated RMB30 million worth of cash and goods to the earthquake-stricken areas all through Overseas Chinese Affairs Office of the State Council as part of the Overseas Chinese's

Love Project - Our heart with Ya-an Lushan Activity. The donation was delivered in two parts: RMB 25 million in cash, and RMB 5 million worth of household paper goods, including tissues, wet tissues, napkins, paper towels and sanitary napkins.



## **Facts and Figures**

## **Environmental Performance**

The Sum of Pulp and Paper Mills and Business Units Documented in the Scope of this Report



Indicator	Unit	2012	2013
Total investments in environmental protection	RMB 10,000	114,480.94	122,359.88
Investment to equipment used to reduce environmental burdens directly (e.g. energy-saving equipment etc.)	RMB 10,000	15,054.97	33,389.56
Total water withdrawal	Ton	105,490,878	124,947,268
Wastewater Treatment Volume	Ton	87,398,997	88,260,859
Reclaimed Water Volume	Ton	14,208,249	13,373,214
Annual average water consumption per unit of product (per ton of paper)	Ton	11.19	12.57
Annual average water consumption per unit of product (per ton of pulp)	Ton	23.72	24.36
Annual average wastewater discharge per unit of product (per ton of paper)	Ton	10.58	11.67
Annual average wastewater discharge per unit of product (per ton of pulp)	Ton	14.87	16.95
COD emissions per ton per paper	kg/t	0.42	0.5
COD emissions per ton per pulp	kg/t	1.17	1.19
Energy consumption per unit of product (per ton of paper)	100 million joules	117.52	94.8
Energy consumption per unit of product (per ton of pulp)	100 million joules	129.1389043	129.4081879
Annual total SO <sub>2</sub> emissions	Ton	9,828.29	10,352.295
Annual total NO <sub>x</sub> emissions	Ton	10,153.296	8,584.383
Actual PM emissions	mg/m3	439.13	390.59

## **Economic Performance**

Indicator	Unit	2012	2013
Total assets	RMB 100 million	1,203.4	1,378.5
Total taxes paid	RMB 100 million	1.45	3.1
Sales revenues	RMB 100 million	368	410.3
Total profits	RMB 100 million	20.3	25.4
Net profits	RMB 100 million	16.7	20.6

## **Social Performance**

The Sum of Pulp and Paper Mills and Business Units Documented in the Scope of this Report



Indicator	Unit	2012	2013
Total number of directly employed staff	person	27,813	28,356
Percentage of male employees	%	73.45%	73.39%
Percentage of female employees	%	26.55%	26.61%
Total number of indirectly employed staff	person	7628	8170
Percentage of employees under 30 years old	%	43%	41%
Percentage of employees from 30 to 50 years old	%	55%	57%
Percentage of employees over 50 years old	%	2%	2%
Percentage of female employees in management team	%	20.37%	20.97%
Total employee turnover rate	%	23.30%	19.87%
Male employee turnover rate	%	22.73%	19.40%
Female employee turnover rate	%	23.87%	20.33%
Retention rate of female employees after maternity leave	person	1,212	1,152
Retention rate of male employees after paternity leave	person	1,066	1,081
Total number of employees joining labor union	person	26,928	27,392
Total number of employees with coverage of collective agreement	person	22,762	23,348
Total number of fatalities at work and by occupational diseases	person	2	2
Hours lost per million working hours	hour	1,119.49	1,157.08
Total training costs	RMB 10,000	1,134.53	825.79
Total training time of male employees	hour	1,066,255	786,850.58
Total training time of female employees	hour	193,968	173,717.32
Number of employees sponsored by company in pursuit of degree study	person	65	48
Company sponsorship funds for employees in pursuit of degree study (budget allocated)	RMB 10,000	53.43	30.91

Note: Please refer to 2012 &2013 annual financial audit report of Sinar Mas Paper (China) Investment Co., Ltd. for all of the financial data

## **Assurance Statement**





## **ASSURANCE STATEMENT**

SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. SHANGHAI BRANCH'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SINAR MAS PAPER (CHINA) INVESTMENT CO., LTD.'S SUSTAINABILITY REPORT FOR 2012-2013

#### NATURE AND SCOPE OF THE VERIFICATION/ASSURANCE

SGS-CSTC Standards Technical Services Co., Ltd. Shanghai Branch was commissioned by Sinar Mas Paper (China) Investment Co., Ltd. (thereafter as "APP-China") to conduct an independent assurance of the 2012-2013 Sustainability Report. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in the 2012-2013 Sustainability Report. Data and information are including APP-China Head Office, Gold Huasheng Paper (Suzhou Industrial Park) Co., Ltd., Gold Hongye Group Co., Ltd., Hainan Jinhai Pulp & Paper Co., Ltd., Ningbo Zhonghua Paper Co., Ltd., Ningbo Asia Pulp & Paper Co., Ltd., APP-China Forestry Business Unit Head Office and Guangxi, Hainan, Guangdong forestry business sub-units, which were on-site assurance, as well as Gold East Paper (Jiangsu) Co., Ltd., Guangxi Jingui Pulp & Paper Co., Ltd., Hainan Gold Hongye Paper Co., Ltd., Hainan Gold Shengpu Paper Co., Ltd., Yunnan and Henan forestry business sub-units, which were off-site assurance. Data and Information of other companies were not included in this assurance process.

The information in the 2012-2013 Sustainability Report and its presentation are the responsibility of APP-China. SGS has not been involved in the preparation of any of the material included in the 2012-2013 Sustainability Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all APP-China's stakeholders.

This report has been assured at a moderate level of scrutiny using our protocols for:

- · evaluation of content veracity;
- · evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G3.1).

The assurance comprised a combination of pre-assurance research, interviews with the management and employees, documentation and record review.

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

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

SGS is the world's leading inspection, verification, testing and certification company. SGS is recognized as the global benchmark for quality and integrity. With more than 80,000 employees, SGS operates a network of over 1,650 offices and laboratories around the world. SGS affirms our independence from APP-China, being free from bias and conflicts of interest with APP-China, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with SAI registered SA8000 Lead Auditor, IRCA and CCAA registered ISO 14001 and OHSAS 18001 Lead Auditor, GRI-nominated Trainer in Sustainability Reporting, CSR Lead Assuror, ISO 26000 Lead Auditor, and Forestry Expert of Smart Wood Program in China.



#### VERIFICATION/ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within 2012-2013 Sustainability Report verified is accurate, reliable and provides a fair and balanced representation of APP-China's sustainability activities in 2012-2013. The assurance team is of the opinion that the report can be used by the APP-China's stakeholders.

This is the third consecutive reporting period that SGS is commissioned to verify APP-China's sustainability activities. We believe that APP-China has chosen an appropriate level of assurance for this stage in their reporting.

## GLOBAL REPORTING INITIATIVE SUSTAINABILITY REPORTING GUIDELINES (G3.1) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion that the APP-China 2012-2013 Sustainability Report fulfills the content and quality criteria for the Global Reporting Initiative G3.1 Guidelines Application Level B+.

#### Stakeholder Inclusiveness

APP-China continues to communicate with the stakeholders through varies of approaches, such as all levels of employees, customers, suppliers/contractors, banks, community, industry association, the media, academic institutions and NGO. SGS recommends that APP-China and its subsidiaries should optimize the process of stakeholder engagement, including specifying the degree, method and frequency of engagement of different stakeholders, in order to achieve the most effective communication.

#### Materiality

APP-China comprehensively understands the commentaries on its sustainability activities through large-scale of stakeholder investigation and special communication meeting. SGS believes that APP-China has a scientific and reasonable methodology to identify and analyze the materiality aspects of its sustainability, and completely disclose the materiality issues in the report. SGS recommends that APP-China should disclose the management approach to its subsidiaries in the next reporting cycle, in order to make the report more logical expression.

#### Responsiveness

The Sustainability Roadmap Vision 2020, released by APP Group, sets forth the commitments in environmental protection, biodiversity conservation and protection of the rights of community, etc. APP-China established and executed the sustainability commitments and plans based on the context of sustainability in China to follow the Group, in order to respond to the key concerns of stakeholders. SGS recommends that APP-China should distribute the report by the level of priority of stakeholders, and strengthen the collection of feedback information.

#### Signed:

For and on behalf of SGS-CSTC Standards Technical Services Co., Ltd. Shanghai Branch



Ben Tsang Director, China and Hong Kong Systems and Services Certification 15 August, 2014

B-11/F, No.900, Yishan Road, Xuhui District, Shanghai, China WWW.SGSGROUP.COM.CN

## **GRI G3.1 Indicator Index**

	G3.1 Standard Disclosure	Section
1.Strategy and Analysis	1.1 Statement from the most senior decision makers of the organization (e.g, CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	2
	1.2 Description of key impacts, risks, and opportunities.	2
2.Corporate Profile	2.1 Name of the organization.	6
	2.2 Primary brands, products, and/or services.	6
	2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	6
	2.4 Location of organizations' headquarters.	Back cover
	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.	3
	2.6 Nature of ownership and legal form.	6
	2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	3
	2.8 Scale of the reporting organization.	6
	2.9 Significant changes during the reporting period regarding size, structure, or ownership.	3
	2.10 Awards received in the reporting period.	6
3. Report	3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	3
Parameters	3.2 Date of most recent previous report (if any).	3
	3.3 Reporting cycle (annual, biennial, etc.)	3
	3.4 Contact point for questions regarding the report or its contents.	70
	3.5 Process for defining report contents, including determining materiality; prioritizing topics within the report, and identifying stakeholders the organization expects to use the report.	3
	3.6 Boundary of the report.	3
	3.7 State any specific limitations on the scope or boundary of the report.	3
	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.	3
	3.9 Data measurement techniques and the bases of calculations.	3
	3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such a re-statement.	3
	3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	3
	3.12 Table identifying the location of the the Standard Disclosures in the report.	64-67
	3.13 Policy and current practice with regard to seeking external assurance for the report.	3
4. Governance, Commitments,	4.1 Governance structure of the organization, including commitments under highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	6
and Engagement	4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, its function within the organization's management and the reasons for this arrangement)	2
	4.3 For organizations that have a unitary board structure, state the number and gender of the highest government body that are independent and non-executive members.	Not Applicable
	4.4 Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body.	21
	4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance.	16
	4.6 Process in place for the highest governance body to ensure conflicts of interest are avoided.	6
	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.	46

		Section
4.8 lı e	nternally developed statements of mission or values, code of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation.	10-13
n	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and apportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	16-17
4.10	Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	16
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	16
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	12
4.13	Membership in associations (such as industry associations) and/or national/international advocacy organizations.	37
4.14	List of stakeholder groups engaged by the organization.	22-23
4.15	Basis for identification and selection of stakeholders with whom to engage.	18-19/21
4.16	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	18-21
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.	21-23
	Direct economic value generated and distributed.	6
	Financial implications and other risks and opportunities for the organization's activities due to climate change.	27/40
EC3	Coverage of the organization's fixed welfare plan.	49
EC4	Significant financial assistance received from the government.	Not Applicable
	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	49
	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	33-34
	Procedures for local hiring and proportion of senior management hired from the local community at locations of operation.	46-47/55
	Impact and development of infrastructure investments and services provided primarily for public benefits through commercial, in-kind, or pro bono engagement.	55-59
EC9	Understanding and describing significant indirect economic impact, including the extent of impact.	55-56
	Materials used by weight or volume.	32-33
Performance Indicators	Percentage of materials used that are recycled input materials.	35/44
EN3	Direct energy consumption by primary energy source.	40-41
EN4	Indirect energy consumption by primary energy source.	
EN5	Energy saved due to conservation and efficiency improvement.	40-41
	Initiatives to provide energy-efficient or renewable energy based on products and services, and reductions in energy requirements as a result of these initiatives.	40-41
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	40-41
EN8	Total water withdrawal by source.	37
FN9	Water source significantly affected by withdrawal of water.	Not Applicable
	0 Percentage and total volume of water recycled and reused.	37
	1 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high	37
	biodiversity value outside protected areas.	28
EN12	2 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	29-30
EN1:	3 Habitats protected or restored.	28

	G3.1 Standard Disclosure	Section
	EN14 Strategies, current actions, and future plans for managing impact on biodiversity.	28-30
	EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not Applicable
	EN16 Total direct and indirect greenhouse gas emissions by weight.	
	EN17 Other relevant indirect greenhouse gas emissions by weight.	
	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	44-45
	EN19 Emissions of ozone-depleting substance by weight.	Not Applicable
	EN20 NO, SO and other significant air emissions by type and weight.	43
	EN21 Total water discharge by quality and destination.	37
	EN22 Total weight of waste by type and disposal method.	
	EN23 Total number and volume of significant spills.	Not Applicable
	EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not Applicable
	EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharge of water and runoff.	Not Applicable
	EN26 Initiatives to mitigate environmental impact of products and services, and the extent of impact mitigation.	52-53
	EN27 Percentage of products sold and their packaging materials that are reclaimed by category.	Not Applicable
	EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	
	EN29 Significant environmental impact of transporting products and other goods and materials used for the organizations' operation, and transporting members of the workforce.	Not Applicable
	EN30 Total environmental protection expenditures and investment by type.	42
<b>Labor Practices</b>	LA1 Total workforce by employment type, employment contract, and region, broken down by gender.	46-47
and Decent Performance	LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region.	46-48
Indicators	LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	
	LA4 Percentage of employees covered by collective bargaining agreement.	Not Applicable
	LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreement.	Not Applicable
	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.	
	LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	49
	LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	49
	LA9 Health and safety topics covered in formal agreements with trade unions.	46
	LA10 Average hours of training per year per employee by gender, and by employee category.	51
	LA11 Programs for skill management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	50-51
	LA12 Percentage of employees receiving regular performance and career development reviews, by gender.	
	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.	46
	LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	49
	LA15 Return to work and retention rates after parental leave, by gender.	46

	G3.1 Standard Disclosure			
Human Rights Performance Indicators	HR1 Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Not Applicable		
	HR2 Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Not Applicable		
	HR3 Total hours of employee training on policy and procedures regarding aspects of human rights that are relevant to operation, including the percentage of employees trained.			
	HR4 Total number of incidents of discrimination and corrective actions taken.	Not Applicable		
	HRS Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not Applicable		
	HR6 Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	_		
	HR7 Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Not Applicable		
	HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	_		
	HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.	31		
	HR10 Percentage and total number of operation that has been subject to human rights, reviews and/or impact assessment.	Not Applicable		
	HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not Applicable		
Society Performance	SO1 Percentage of operation with implemented local community engagement, impact assessment and development programs.	55-57		
Indicators	SO2 Percentage and total number of business units analyzed for risks related to corruption.	16		
	SO3 Percentage of employees trained in the organization's anti-corruption policy and procedures.	_		
	SO4 Actions taken in response to incidents of corruption.	<u> </u>		
	SO5 Public policy positions and participation in public policy development and lobbying.	Not Applicable		
	SO6 Total value of financial and in-kind contribution to political parties, politicians and related institutions by country.	Not Applicable		
	SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.			
	SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	_		
	SO9 Operations with significant potential or actual negative impacts on local communities.	28		
	SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	25-31		
Product Responsibility	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.	53		
Performance Indicators	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.	_		
	PR3 Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	53		
	PR4 Total number of incidents of non-compliance with laws and regulations and voluntary code regarding product and service information and labeling, by type of outcomes.	Not Applicable		
	PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	54		
	PR6 Programs for adherence to laws and regulations, standards and voluntary code regarding marketing communications, including advertising, promotion and sponsorship.	_		
	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.	_		
	PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not Applicable		
	PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Not Applicable		

## **UN Global Compact Ten Principles Index**

	Principles	Our Actions	Sections
Human	Rights		
1	Businesses should support and respect the protection of internationally proclaimed human rights	APP-China respects all forms of human rights, and protects various rights of our stakeholders with legal compliance.	Sustainable Management of Plantation
2	Businesses should make sure that they are not complicit in human rights abuses	APP-China resolutely forbids any behavior that disregards and violates human rights.	Sustainable Management of Plantation
Labor			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	APP-China followed "Labor Union Laws", and related personnel management laws and regulations of overseas invested companies to protect its employees' legitimate rights of freedom of association. APP-China set up labor unions in various regions, and there has been a significant increase of employees joining these unions. By the end of 2013, 27,392 employees, approximately accounting for 75% of total work force of APP-China, joined labor unions. APP-China will promote and encourage more employees to join labor unions in the future.	Employee's Right
4	Businesses should uphold the elimination of all forms of forced and compulsory labor	APP-China deems protecting employee's rights important and prohibits any forms of forced and compulsory labor. In 2012 and 2013, no complaints or any other forms of forced or compulsory labor were found.	Employee's Rights
5	Businesses should uphold the effective abolition of child labor	APP-China resolutely prohibits the employment of juvenile workers and makes a commitment to only work with contractors and suppliers who follow the abovementioned stipulation. In 2012 and 2013, no child labor occurred at APP-China, our suppliers or our contractors.	Employee's Rights
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	APP-China guarantees to eliminate any discriminatory employment practices and engages experts to explain relevant laws and regulations for its employees to raise awareness of protecting their rights. In 2012 and 2013, no complaints or reporting related to discrimination of employment practices were found at APP-China.	Employee's Rights

	Principles	Our Actions	Sections
Environ	nent		
7	Businesses should support a precautionary approach to environmental challenges	APP-China spares no effort to explore a greener and recycled business model of paper sector, and works together with employees to take part in environment protection and sustainable development activities to meet future challenges. In 2012, APP announced "Sustainability Roadmap Vision 2020" and outlined action plan for the next ten years to achieve the ultimate goal of environment protection.	Our Goals; Sustainable Management of Plantation
8	Businesses should undertake initiatives to promote greater environmental responsibility	APP-China hopes to exert its influence to align with upstream and downstream partners by its actions. To promote the realization of the sustainable development goals of the paper industry, APP-China continued to abide by the company's sustainability pledges, entitled Paper Contract with China (PCwC), reported the progress on a quarterly basis and established a sustainable development information communication platform by shared the insights of environmental and other relevant policies, corporate philosophy and practices. In February 2013, APP-China launched the new "Forest Conservation Policy" (FCP), committed to a moratorium on all natural forest clearance and worked with third-party organizations for assessments of high conservation value (HCV) forest and high carbon stock (HCS) to deliver its promise of sourcing raw materials all from plantation earlier.	Our Goals; Sustainable Management of Plantation
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	As the advocator and practitioner of the idea of "integrate plantation-pulp-paper", APP-China has been devoted to the realization of the industry's greencycle development. APP-China has organized and participated in related industry forums of sustainable development to promote deeper trade exchange in China since 2008. In 2013, Gold East Paper and Guangxi Jingui Pulp & Paper etc. continually achieved technical innovations in green production, and took part in setting energy consumption standards for local paper industry, to promote of industrial sustainable development by sharing our practices and experiences.	Our Goals; Water Utilization; Energy Management and Emission Reduction
Anti-Cor	ruption		
10	Businesses should work against corruption in all its forms, including extortion and bribery	APP-China resolutely forbids any form of corrupt behavior and raises staff awareness of anti-corruption through various measures, including setting up a probity reporting mailbox, signing "Employee Occupational Ethics & Probity Specification", spreading by internal bulletin boards and releasing announcement to external suppliers and contractors, to maintain a healthy, fair and transparent business environment.	Sustainable Development Management

## Feedback

Dear Readers,

nd suggestions are highly	ing APP-China Sustainability Report 2012-2013. Your comments valued and appreciated. Please fill in the following form and mail / provide feedback via phone call. Thank you!
.dd: 8-9F, Bund Center, 222 el: +86-21-6335-2299	Yan'an Road (E.) Shanghai, 200002
ax: +86-21-6335-1459	E-mail: csr@app.com.cn
.What's your/your org	anization's relationship with APP-China?
☐ Customers ☐ Comm	nunity representatives   Supplier/contractor
☐ Industry association	☐ Employee ☐ School
☐ Non-profit organization	on (NPO) or non-government organization (NGO)
☐ Media ☐ Bank ☐ 0	Others (Please specify)
.Have you ever read th	ne APP-China Sustainability Report
(Please ignore 3, 4 an	d 5 if your answer is No):
☐ Yes	□ No
.If the answeris Yes, w	hich version is it?
☐ Printed	☐ Electronic
.Which version do you	prefer?
☐ Printed	☐ Electronic
Please indicate your of Sustainability Report	overall assessment for the APP-China 2012-2013:
Easy to read (Clear expres	sion, quality design, inspiring
story-telling, easy to find	
	(Normal) 1 (Relatively Poor)
	of this report is true and reliable)
	(Normal)
provide information you	
•	(Normal)
addition to the disclosed	contents, do you expect to find other information?
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Sinar Mas Paper (China) Investment Co., Ltd (APP-China). Address: 8-9F,Bund Center,222 Yan'an Road(E),Shanghai

Postal Code: 200002 Tel: +86-21-6335-2299 www.app.com.cn

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