Harmony among heaven, earth and mankind, including comprehensive harmony with the environment, represents the ultimate cultural essence of traditional Chinese philosophy and the very core of Chinese civilization. Respecting and living in harmony with nature while fully implementing the green cycle are corporate missions that APP-China delivers by adopting modern sustainable business models with the “Integration of Plantations, Pulp, and Paper.”

Harmony involves diversity. Harmony involves diversity, for everything is interconnected and all things have their unique characteristics. Inclusive diversity and essential uniformity for business can work together to create a harmony that is rich and diverse. Thus, we can say, “Appreciate the value and beauty of others so that the world will become a harmonious whole.” We are committed to exploring ways to advance great concepts from ancient civilization through innovation and collaboration to create a better life for all.

Joint development for win-win results. We advocate joint development for win-win results. Stakeholders play a crucial role in a company’s development, and we actively engage our stakeholder groups with openness and peer-to-peer dialogue, in order to support each other in pursuit of inclusive growth. This follows the megatrend of economic globalization, innovation and collaboration. Together, we are marching toward a sustainable future.
Message from the Chairman

The year 2017 witnessed the successful convening of the 19th CPC National Congress and marked a key phase in the implementation of the 13th Five-Year Plan and a new era for China’s economic and social development. 2017 also presented the papermaking industry with both opportunities and challenges. The people’s need for a better life, the advancement of supply-side reform, increasingly higher environmental standards, and the growing cost of upstream materials and labor all contributed to a growing mismatch between the old development model and reality. The papermaking industry is faced with pressing challenges such as how to turn various forms of pressure into a driving force for growth, how to enhance competitiveness, how to provide more innovative quality products, and how to more fully advance toward a green future. These issues now demand our most urgent attention.

A quarter century has passed since APP entered China. All this time, APP-China has strictly adhered to the “Integration of Plantation-Pulp-Paper” model. We have also been a driving force for innovation, and transformation of China’s papermaking industry, leading a revolution from old traditional to modern industry in this area and driving upgrades from manual labor to intelligent industry. In this way, APP-China has been making a continuous effort to help China achieve cooperation and development on a global scale, moving from the old way of “every man for himself” to a new paradigm of “win-win worldwide.”

Guided by the call of the new era and new journey, we continue to champion and implement the sustainable green industry chain, and join hands with our value chain partners to carry forward the time-honored glory of China’s papermaking technology in a responsible manner.

We hone our expertise by providing quality paper products to improve the quality of life.

—

With the increasingly higher living standards, consumers have a much greater demand for diversified, customized, and function-oriented paper products. Meanwhile, new business models such as online shopping become new drivers for consumption growth. To meet consumers’ differentiated demands, we are fully involved in areas such as household paper, cultural paper, and industrial paper production, and make an intensified effort to pursue R&D and product enhancements, explore intelligent production and logistics, and provide a more diverse and higher-quality line of paper products and services. We comply with relevant product criteria related to environmental protection, safety and health to ensure a worry-free user experience.

We integrate forest and paper and contribute to industry sustainability through green operations.

—

A sound ecological environment is central to realizing sustainable development, and lays the foundation for sustainable development of the papermaking industry. As a leading papermaking company, we have pioneered the “Integration of Plantation-Pulp-Paper” model in China to foster ecological forestry, help eliminate outdated capacity, and improve resource efficiency, thus contributing to energy conservation and emissions reduction. We continue to intensify supplier and safety management, and strive to create a “zero accident” production environment.

We value talent and improve employee well-being through shared growth.

—

Thanks to its rich reserve of talent, China has strengthened its technological innovation capacity remarkably in recent years. Likewise, a high caliber of talent helps companies remain competitive in the marketplace. We attach great importance to our human resources, and provide robust remuneration and benefit plans to facilitate the employees’ career development. We pay attention to fostering an innovative corporate culture, and care for the well-being of our employees, ensure their work-life balance, and make them feel respected, supported, and motivated to work as part of the team.

We care about the community and fulfill our role in public welfare by acting in a responsible manner.

—

Active communication acts as the bridge for companies to gain social support, and giving back to society is a way for companies to respond to such support. We take community engagement as a key priority in our daily operations, and have established sound communication channels to ensure timely dialogue and mutual respect with the community. We leverage our strengths as a papermaking company to organize paper culture events and promote low carbon awareness and practice. We continue to support public welfare and deliver distinctive public welfare concepts and innovative ideas and volunteer efforts.

2018 is the first year for implementing the spirit of the 19th CPC National Congress and marks the 40th anniversary of China’s reform and opening-up. Responding to China’s domestic and overseas strategic layout, the needs of the people, and a new round of reform and upgrading in management, technology, and industry, we look forward to joining hands with our stakeholders to explore sustainability throughout the entire papermaking industrial chain. In doing so, we expect to fulfill the significant historic mission that our time has bestowed on us by helping to upgrade China from paper manufacturing focused on quantity to paper manufacturing focused on quality, and further enabling a happy life for the people in harmony with a healthy environment.
APP-China at a Glance

APP-China is synonymous with Sinar Mas Paper (China) Investment Co., Limited and the group of companies under its direct investment in China. Since entering China in 1992, APP-China has always adhered to sustainable development strategy, and has strived to realize a green cycle by implementing the “Integration of Plantation-Pulp-Paper” model that underpins sustainable papermaking. APP-China owns business units such as forestry, pulp, industrial paper, cultural paper, and household paper, etc.

In addition, APP-China and its parent company Sinar Mas Group are working to promote municipal and technology park projects related to corporate sustainable development. We have developed five large-scale city complex projects in Shanghai and the Yangtze River Delta Region, including the Shanghai White Magnolia Plaza, the Shanghai Golden Bund Center, the Shanghai Jin Hongqiao International Center, the Shanghai Landmark Center, and the Ningbo Golden Center.

As of the end of 2017, APP-China owned over 30 pulp and paper mills as wholly owned subsidiaries and holding companies and 19 forestry companies, with total assets valued at about RMB52.7 billion, and over 30,000 full-time employees.

Value and Culture

Our Vision

APP-China will continuously be the world’s premier, fully integrated green-cycle plantation, pulp and paper conglomerate.

- **Integrated**
  - Increase the overall benefits to the business by operating across the industry chain from plantation, pulp and paper to converted paper products and related industries.

- **The Largest**
  - Be the leader in the industry and number one in the world, equipped with the largest production capacity, the most state-of-the-art technology and the most thorough customer service network.

- **The Strongest**
  - Manufacture high-quality products to maximize profitability through the most effective management team and the strongest R&D.

- **Green Cycle**
  - Take care of the large cycle from afforestation to pulp & paper making, as well as the small cycle of using recycling paper for production.

Our Mission

- **Implement green cycle-based development, advance papermaking civilization, and improve quality of life.**

Our Values

- **Customer Focus**
  - We will thoroughly understand our customers, including their future and hidden needs, as we continue to create long-term value for customers in win-win relationships.

- **Act Like Owners**
  - Maintain the entrepreneurial mind, place corporate interests first, work hard and smart, and never give up. Energetically take the initiative as if owners and grow with the Company.

- **Results Orientation**
  - Clear objectives, quick action, collaboration, mutual support and cross sharing. Let results speak for themselves under the Company’s value framework.

- **Continuous Improvement**
  - Maintain an open mind, steadily apply industry benchmarks, use systematic thinking and scientific decision-making, pursue innovation and breakthroughs. Constantly strive for higher goals and achieve sustainable development.

Our Mission

- **Implement green cycle-based development, advance papermaking civilization, and improve quality of life.**

- **Achieve the harmonious development of company, people, and environment by adhering to the principle of sustainable development, developing the circular economy, and building ecological industry.**

- **Advance papermaking civilization, and promote the modernization and innovation of papermaking industry through continuous effort.**

- **Provide high-quality and diverse products to satisfy people’s needs and improve their quality of life.**

Our Values

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Integrity and Commitment

- **Integrity and Commitment**
  - Abide by national laws, regulations and moral codes. Keep faith with others.

- **Act Like Owners**
  - Maintain the entrepreneurial mind, place corporate interests first, work hard and smart, and never give up. Energetically take the initiative as if owners and grow with the Company.

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| Total Assets | 158.2 billion yuan |
| Sales Revenues in China for 2017 | 52.7 billion yuan |
| Full-time Employees in China | 30,862 |
Achievements and Honors

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Papermaking throughout History

Focus

Papermaking throughout History

Necessity for Modern Life

From the earliest years, paper has been crucial for maintaining the legacies of our ancestors. For the story of ancient civilizations, every single mark drawn on a tabby cloth can be the key to unlocking a story of material, a story that tells us about the hardships faced, but also the beauty of human creativity.

The story of paper is just as dynamic. The modern story is inspired by the creation of bamboo fibers, people invented paper. Later in the Han Dynasty, Cai Lun improved the process by introducing materials like hemp, flax, and fibrillated flax, which eventually led to the formation of the xuan paper. Papermaking later spread to various parts of the world, as seen today across every continent.

Papermaking has developed into an important aspect of cultural heritage and collective wisdom.

The history of papermaking has left its marks on humanity. Papermaking is also a significant driver of cultural heritage and collective wisdom. As consumers of modern times, the consumption and use of paper products has made people's lives more beautiful and healthy. The rich variety of modernization and civilization, and a significant indicator of a country's level of development, is often measured by its per capita consumption of paper and cardboard. While the per capita consumption of people in the world, the average annual per capita consumption of the world, and particularly in developed countries, is often measured by its per capita consumption of paper and cardboard.

In modern times, the consumption of paper products offers an important indicator of a country's level of modernization and civilization, and is often measured in units of paper and cardboard. While the per capita consumption of the world average is over 200 kilograms, there is an urgent need for us to produce an urgent need for us to transform and upgrade the papermaking industry as a whole.

Papermaking throughout History

Years, white and glossy, the world’s ways have been marked by the cleverly woven paper sheets. Chapters of canvas or cloth cannot provide the necessary understanding of ancient wisdom. Felt-pen, digitization, and computers are used to enhance this understanding. In modern life, digital technology is widely used in industrial production.

However, the advent of paper even more than the invention of the printing press has gradually replaced the traditional method of communication and has revolutionized the way we learn, work, and interact. Paper is the language of the world, the medium for storing knowledge and transmitting information, and we can see that the world of today is inextricably linked to the development of papermaking technology.

The rapid development of the Company has set a new goal and a new journey for the sustainable development of the Papermaking Industry in China. To respond to the “new goals” and “new journey” set forth, APP-China stays true to its original commitment to all-round innovation and upgrading, to transform and upgrade the papermaking industry, to cooperate in environmental protection, and to create a better future.

Papermaking throughout History

Papermaking throughout History

Becoming a More Innovative Industry

To adapt to the diversified market needs and environmental challenges, in the process of innovation and upgrade, we will create a unique range of market applications, and push towards intelligent manufacturing.

In response to the “new goals” and “new journey” set forth, APP-China stays true to its original commitment to all-round innovation and upgrading, to transform and upgrade the papermaking industry as a whole.

Driving Transformation and Upgrading of Papermaking Industry

We have established strategic partnerships with international leading companies, and have imported key equipment. Together with our parent company, we continue to promote industrial upgrading and R&D base in Nantong and R&D base for industrial paper and viscose fiber in Yancheng by adopting the most advanced “Industry 4.0 + Artificial Intelligence” technology. In doing so, we aim to lead the market in circular economy and promote the development of China’s pulp and paper industry as a whole.

Becoming a More Innovative Industry

For the purpose of the 19th CPC National Congress, we are working together to build APP-China into a manufacturer of quality paper and packaging, and we are acting according to traditional wisdom in sustainable transformation. We set up a strategic direction for the sustainable development of the Papermaking Industry in China in response to the “new goals” and “new journey” set forth, APP-China stays true to its original commitment to all-round innovation and upgrading, to transform and upgrade the papermaking technology, cooperate in environmental protection, and create a better future.

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Papermaking throughout History

Papermaking throughout History

Removing the obstacles from our way...
In keeping with the approach of “scientific, ecological, and legal forestry”, APP-China has developed a range of forestry management systems such as forest certification, a system of Forest CoC, and the use of high standards of logging practices to set rules and regulations. APP-China implements standards that are above the forestry management systems of other pulp producers. This is conducted in a transparent and independent manner. In the APP-China model, the entire paper production chain is subject to audits by independent third-party institutions.

In 2017, APP-China obtained a total of 440,839 tons of wastepaper as raw materials, of which 440,377 tons were purchased from enterprises in the industry. APP-China will continue to focus on the use of local raw materials for wastepaper recycling and reuse.

1.516 million tons

19

88.36%

2 large-scale papermaking companies

100%

More Sustainable Green Operations

In the face of the severe challenges posed by global climate change and rising levels of demand for raw materials, China’s APP-China has been aligning its actions with the ‘Integration of Plantation-Pulp-Paper’ resolution for ten years to bring coordinated sustainability into its supply chain.

The ‘Integration of Plantation-Pulp-Paper’ model is derived from the experience of the pulp and paper industry in developed countries. It is a model that integrates the three separate segments of plantation, pulp, and paper so that papermaking companies play their part by addressing the issue of森林-based raw materials and promote multiple papermaking. This ultimately leads us to a model of sustainable development, leading to an industrial structure in which we advance the sustainable development of the papermaking industry with forests and consumers.

Sustainable development in the papermaking industry means forests and consumers.

As the operator and manager of planted forests of APP-China, APP-China Forestry implements the Forest Conservation Policy (FCP) to strictly source from planted forests. APP-China has developed a range of operational sustainability to life. As an integral part of the rigorous, ecological papermaking model is derived from the experience of the papermaking industry with forests and consumers.

Paper products

16

100% of woodchips come from self-managed forests.

Thus, APP-China’s effort to bring our operations up to higher standards than set by national laws and regulations.

As socialism with Chinese characteristics crossed the threshold into a new era, people’s need for a better life continues to grow. As an integral part of the ecological environment, it is not only a matter of great national and public interests, but also an important step towards sustainable development of forest and environmental sustainability. As the world's leading integrated forest products producer, APP-China is fully committed to developing the ecological civilization and further building the industry into a green, energy-saving and environmentally friendly industry.

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Cultural Paper: Advancing Diverse Cultures

Found in varied forms, cultural paper is often closely related with the printing industry and plays an important role in transmitting information and advancing culture. APP-China offers an extensive line of products worldwide that center around diversified customer needs, including coated paper, two-sided offset paper, digital paper, handbag paper, office paper, carbonless copy paper and more.

Li Juan joined Gold Huasheng shortly after graduating with a master’s degree, and went on to spend the last 15 years with the Company. With great dedication and diligence, she has become the IT manager she is today, and championed efforts for the development of the Company.

Li Juan believes that with specialty paper as the key product, the Company must demonstrate competitive advantages in product quality and customer service, and that research and development that be conducted behind closed doors, but should be closely integrated with market and marketing needs so as to seize opportunities for innovation.

“We provide not just paper, but all-round services,” said Li Juan. Whenever a project demands customer needs for quality or difficulty with applications, the IT department works with the business, manufacturing, maintenance, customer service or other departments to provide technical marketing services and on-the-spot solutions. Even in the case of potential problems detected with customer feedback, Li Juan and her colleagues would collaborate with the engineering department to deliver solutions, which has won customer appreciation.

It goes without saying that constant innovation and quality enhancement are a paramount part of R&D. Li Juan remembers teaming up with her colleagues to visit customers in different industries by means of telemarketing and collecting customer feedbacks and requirements, which played a vital role in the development of new products. By doing so, she was able to optimize the manufacturing condition of machinery and the coating formulas and come up with “art paper” products which, unlike regular coated paper products, featured natural hues and textures and a unique feel. Not only do these products meet customer needs for superb color rendition and printability, they also bring the dynamic time-bargain of high-end to those, helping customers improve their efficiency, and bring the Company handsome financial returns. In 2017, their newly developed “book inside” under the “Art Paper” category got showcased at the National Palace Museum for the artwork Palace: The Empires’ Garden. Moreover, with the patents obtained, Li Juan won First Prize for the Outstanding Inventions Award in the APP-Pala Outstanding Talent Competition 2017.

Overcoming difficulties and challenges is never easy, and that makes success exceedingly pleasing and honorable. Back in 2016, Li Juan’s team was tasked with producing delivery invoices on a large scale using curtain coating for its ability to coat a uniform layer with excellent coating coverage. Due to the special functional additives typically used in curtain coating, printed barcodes on the invoice, when made with curtain coating, tended to be quite blurred. Therefore, the hard work was not in producing the delivery invoices itself, but in guaranteeing clarity in printed barcodes. In order to solve this problem, Li Juan and her team spent six months consulting nearly one hundred supplier experts and adjusting paper blanks and coating formulas, and experiments thousands of times. In the end, they developed their “oil-water balance aid” to successfully print delivery invoices on curtain coated paper with clear barcodes that met customer demands. The technology has yielded the Company strong financial returns while also lifting the gap in the domestic market in this area.

Staying dedicated to her responsibilities to turn the impossible into the possible, and providing the public with delicately designed products and services — these are the things that Li Juan seeks to do and has consistently been doing.
The ever-growing market demand, technological advances in packaging and printing, and the development of new products will give paper an increasingly broader industrial use and lead to higher requirements for both quantity and quality. APP-China provides customers with a full array of high-grade industrial paper products, including a variety of coated ivory boards, coated paper, white boards, specialty poker paper, etc., to satisfy diverse needs for production and reprocessing.

Coated ivory boards are widely used for making art prints or high-grade packaging cartons. Coated ivory boards so as to bring into full play the advantages of chemi-mechanical pulp for producing coated ivory boards with a bulk of 1.4cm and a monthly production and sales volume of 110 million tons in annual financial gains.

The term “industrial paper” may be confusing at a glance, but it's not hard to understand. Typically, it includes office supplies such as a desktop calendar, paper clips, paper handbags, clothing tags, boarding passes, ancient medical books, corporate posts, and makeup boxes. The list goes on.

Behind these increasingly modern and beautiful paper products are the efforts and dedications of papermaking artists, and Xi Yinyin is one of them.

Xi Yinyin is a girl who does not play by the rules. An Environmental Engineering major with a keen interest in doing experiments, she somehow joined the R&D team with Guangxi Jingui Pulp & Paper and has since started down a journey in industrial paper R&D.

Xi Yinyin gave full play to her strong flexibility and learning capacity, and quickly won recognition for her work. As the construction of an ecological civilization progresses nationwide, the Company puts an ever-growing emphasis on resource efficiency and reducing emissions. This megatrend, together with the “Integration of Plantation-Pulp-Paper” model, offered Xi Yinyin an unexpected opportunity to effectively combine her work with her major.

In 2017, Xi Yinyin led her R&D team to successfully increase the proportion of chemi-mechanical pulp by 8% based on major technological breakthroughs and innovations. This also helped bring down the unit consumption of pulp, resulting in marked savings in wood pulp that equaled over RMB70 million in annual financial gains.

Aseptic packaging is a high-tech method for food preservation, and sees mounting popularity and market demand for being economical, environmentally friendly, and portable. Aseptic packaging has an array of benefits including low cost, high resource efficiency, ease of recycling and regeneration, adaptability to high-speed mechanical production, ease of printing and preservation, and non-hazardous. Xi Yinyin and her team collaborated with Lami Packaging (Kunshan) Co., Ltd. to understand the quality requirements for aseptic packaging paper in order to inform the optimization and technical reform of facilities and procedures then in use. The trial production succeeded in June 2017, propelling the Company to a leadership position in domestic aseptic packaging paper.

Chemi-mechanical pulp is a type of high-yield pulp that has such advantages over chemical wood pulp as low pollution and low cost. It thus remains an important objective of the Company to increase the proportion of chemi-mechanical pulp for producing coated ivory boards so as to bring into full play the strengths of the “Integration of Plantation-Pulp-Paper” model. In 2017, Xi Yinyin led her R&D team to successfully increase the proportion of chemi-mechanical pulp by 8% based on major technological breakthroughs and innovations. This also helped bring down the unit consumption of pulp, resulting in marked savings in wood pulp that equaled over RMB70 million in annual financial gains.
Household Paper: Delivering Quality Life

Every individual and every family longs for a better life and is paying increasing attention to the comfort and safety of household products. Household paper such as facial tissues, toilet paper, and wipes has become an indispensable part of a quality life, be it for domestic or outdoor use. With a wide variety of household paper products that serve a huge number of families, APP-China is committed to guaranteeing product quality from the source to deliver a safe, healthy, and comfortable household life. Consumers and satisfy their needs for a quality of life.

As an ethnic Chinese who had never been to China before that struggled for a year over the decision to leave the United States and work in China, White was very uncertain, a strong curiosity about China and the aspiration to make a contribution across everything he did, and Pat finally came to China in 2007, embarking on a journey of exploration at Suzhou Gold Hongye. Upon entering Pat Chen’s office, one’s eyes are immediately drawn to the product display stand by the door. On the stand is a full stack of household paper products like facial tissues and wipes with such brands as Breeze™, Virjoy™, and Emporia™.

“R&D is the bridge that connects consumers and production, and its primary objective is to support the company’s sustainable development in the future,” according to Pat Chen. Suzhou Gold Hongye has created household paper products such as baby wipes, Virginia centennial, and adult diapers. The fast-moving consumer goods (FMCG) industry is distinctive in that it is highly relevant to consumers’ subjective awareness, and offers a diversified but often short-lived range of products. Over the past few years, household paper products have become increasingly similar. Meanwhile, the social progress has been accompanied by a growing demand for high-quality and diversified products and augmented attention to issues such as environmental protection and product health and safety. Pat Chen impresses people around him as a person with a high level of energy and a tender but firm tone of voice, who often shows confidence and passion about his job. It is difficult to tell from his energetic demeanor that he is already a grandfather to seven grandchildren who reside overseas.

Pat Chen believes that the development and promotion of products like wipes can raise social awareness and bathroom habits and make life healthier and more comfortable. “We developed and upgraded environmentally friendly consumer products in 2017 by targeting different user groups and markets so as to help promote the welfare of the society as a whole,” said Pat Chen respectfully. “The Breeze™ Baby Soft Basic Skin Cleansing Wipes and Breeze Hand & Mouth, both gentle and fragrance-free, protect baby’s delicate skin, and the latter is safe to be used directly on babies’ hands and mouths. The Emporia™ series targets high-end users and offers a range of products from ultra-soft facial tissues to biodegradable and flushable paper in refill, all of which highlight a luxurious lifestyle. The newly launched natural color series uses unbleached paper fiber, which is close to nature and biodegradable, and offers an exceptional user experience.”

China has a huge market and vuly diverse consumer groups. Pat Chen firmly believes that all types of consumers can find a product they need or like with APP-China to enjoy a healthy and comfortable life.

As people grow increasingly hyper-conscious, they have become extremely fond of daily life and their cleaning ability remains a basic requirement. Wipes can pose a great threat to the environment after use as they absorb raw materials for ropes, which are mostly viscose and polyethylene, which do not break down wastes when the synthetic fiber contained is also not biodegradable. In response, Pat Chen led his team to successfully introduce a disposable base material, which was then used to develop a new series of rope products, for instance wet toilet paper and toilet cleaning wipes. They use 100% biodegradable fiber as the base material which could degrade after a while under convenient conditions, thus having no serious impact on the environment. Additionally, their disposable nature allows them to be disposed directly into the toilet after use without leaving stains or clogging the toilet or the sewer. Pat Chen believes that the development and promotion of products like wipes can raise social awareness and bathroom habits and make life healthier and more comfortable.

Every individual and every family longs for a better life and is paying increasing attention to the comfort and safety of household products. Household paper such as facial tissues, toilet paper, and wipes has become an indispensable part of a quality life, be it for domestic or outdoor use. With a wide variety of household paper products that serve a huge number of families, APP-China is committed to guaranteeing product quality from the source to deliver a safe, healthy, and comfortable household life. Consumers and satisfy their needs for a quality of life.

As an ethnic Chinese who had never been to China before that struggled for a year over the decision to leave the United States and work in China, White was very uncertain, a strong curiosity about China and the aspiration to make a contribution across everything he did, and Pat finally came to China in 2007, embarking on a journey of exploration at Suzhou Gold Hongye. Upon entering Pat Chen’s office, one’s eyes are immediately drawn to the product display stand by the door. On the stand is a full stack of household paper products like facial tissues and wipes with such brands as Breeze™, Virjoy™, and Emporia™.

“R&D is the bridge that connects consumers and production, and its primary objective is to support the company’s sustainable development in the future,” according to Pat Chen. Suzhou Gold Hongye has created household paper products such as baby wipes, Virginia centennial, and adult diapers. The fast-moving consumer goods (FMCG) industry is distinctive in that it is highly relevant to consumers’ subjective awareness, and offers a diversified but often short-lived range of products. Over the past few years, household paper products have become increasingly similar. Meanwhile, the social progress has been accompanied by a growing demand for high-quality and diversified products and augmented attention to issues such as environmental protection and product health and safety. Pat Chen impresses people around him as a person with a high level of energy and a tender but firm tone of voice, who often shows confidence and passion about his job. It is difficult to tell from his energetic demeanor that he is already a grandfather to seven grandchildren who reside overseas.

Pat Chen believes that the development and promotion of products like wipes can raise social awareness and bathroom habits and make life healthier and more comfortable. “We developed and upgraded environmentally friendly consumer products in 2017 by targeting different user groups and markets so as to help promote the welfare of the society as a whole,” said Pat Chen respectfully. “The Breeze™ Baby Soft Basic Skin Cleansing Wipes and Breeze Hand & Mouth, both gentle and fragrance-free, protect baby’s delicate skin, and the latter is safe to be used directly on babies’ hands and mouths. The Emporia™ series targets high-end users and offers a range of products from ultra-soft facial tissues to biodegradable and flushable paper in refill, all of which highlight a luxurious lifestyle. The newly launched natural color series uses unbleached paper fiber, which is close to nature and biodegradable, and offers an exceptional user experience.”

China has a huge market and vuly diverse consumer groups. Pat Chen firmly believes that all types of consumers can find a product they need or like with APP-China to enjoy a healthy and comfortable life.

As people grow increasingly hyper-conscious, they have become extremely fond of daily life and their cleaning ability remains a basic requirement. Wipes can pose a great threat to the environment after use as they absorb raw materials for ropes, which are mostly viscose and polyethylene, which do not break down wastes when the synthetic fiber contained is also not biodegradable. In response, Pat Chen led his team to successfully introduce a disposable base material, which was then used to develop a new series of rope products, for instance wet toilet paper and toilet cleaning wipes. They use 100% biodegradable fiber as the base material which could degrade after a while under convenient conditions, thus having no serious impact on the environment. Additionally, their disposable nature allows them to be disposed directly into the toilet after use without leaving stains or clogging the toilet or the sewer. Pat Chen believes that the development and promotion of products like wipes can raise social awareness and bathroom habits and make life healthier and more comfortable.
Tracing the Life Cycle of Paper

The sustainable development of companies is closely tied to their responsibility performance in the industry chain. For pulp and paper companies, their environmental and social performance in the entire product life cycle, from forestry to raw material procurement, and to pulp and paper production, is becoming a matter of even greater national and public concern. Fulfilling the responsibilities involved in all those stages is paramount for realizing sustainability of the “Integration of Plantation-Pulp-Paper” model, and defines the direction for the long-term development of the pulp and paper industry.

Sustainable Development Background

As the first company in China to propose the “Integration of Plantation-Pulp-Paper” industry model, APP-China adheres to strict management throughout the industry chain to promote sustainable development in the Company’s production and operations. We attach great importance to sustainable development of our own forestland, and actively carry out CFCC/PEFC green forest certification to drive forward the construction of green product label certification systems in China. We have rigid supplier screening and raw material quality control mechanisms in place to guarantee the traceability and quality of raw materials. We have built sound environmental management systems to constantly bolster management and performance in terms of water resources, energy, exhaust gas, waste and other environmental issues. We make a continuous effort to improve the safe production management system to keep pushing towards the “zero accident” goal during production.

Management Approach

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Alignment with SDGs

- Formulating Forest Conservation Policy to standardize forestry work
- Conducting Forest High Conservation Value (HCV) evaluation and environmental monitoring, highlighting biodiversity and water and soil conservation
- Continuing to carry out CFCC/PEFC forest certification
- Driving up the use of clean energy such as biomass energy and solar energy
- Minimizing use of clean water through reuse of reclaimed water and water using measures, etc.
- Continuing to strictly enforce treatment, with several mills obtaining the new pollution discharge license
- Renovating boilers to have ultra-low emissions
- Exploring innovation in waste recycling and reuse
- Lower than the national standard limit by a broad margin

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water reuse rate</td>
<td>95.69%</td>
<td>95.69%</td>
</tr>
<tr>
<td>Sewage discharge per ton of paper produced</td>
<td>6.35 tons</td>
<td>6.35 tons</td>
</tr>
<tr>
<td>COD emissions per ton of paper produced</td>
<td>0.26 kg</td>
<td>0.26 kg</td>
</tr>
<tr>
<td>COD emissions per ton of pulp produced</td>
<td>1.99 kg</td>
<td>1.99 kg</td>
</tr>
<tr>
<td>Annual generation of photovoltaic power</td>
<td>23.56 million kWh</td>
<td>23.56 million kWh</td>
</tr>
</tbody>
</table>

Total area of forest certification: 254,660.01 hectares
CFCC/PEFC certification rate of self-managed forests: 88.36%
Guarding this Greenness

Upon graduating from Nanning Forestry University in the summer of 2004, Wang Heng did not hesitate to become a forester in charge of taking care of over 7,000 mu of eucalyptus forest at his hometown in Lincheng, Liuzhou County, Hainan, away from the hustle of the city. By day, Wang Heng spends time with the trees. He would travel for dozens or even hundreds of kilometers on his motorcycle, through the numerous scattered trails, to be on the lookout for signs of fire, illegal felling or other abnormal conditions. We also ask him to provide the instructions on the daily operations on the forestland. The work of a forester is mundane and tiring, and can sometimes even be dangerous. During his first year as a forester, Wang Heng personally witnessed a crucial illegal felling incident, when he was knocked off his scooter by a group of felling agents. But the good news is that such incidents have declined notably in number in recent years as a result of the government’s intensified efforts to crack down on illegal felling.

To guarantee the safety of trees, Wang Heng and his team must make an all-out effort to prevent fires and fight against natural disasters. During forest patrols, they also collaborate with the local Forestry Bureau to popularize knowledge among villagers on fire prevention by putting up banners and local workers grading seedlings.

Picking out buds and placing them in a flowerpot to form new groups for cultivation.

Transplanting young plants from nurseries to fertile soil.

Sustainable Forestry

Not only are forests an integral part of the ecosystem, but they also provide invaluable natural resources and contribute to the legacy of human civilization. As a step towards the vision of “building the world’s largest and most robust green cycle industry through Integration of Plantation-Pulp-Paper”, APP released the Forest Conservation Policy (FCP) in 2013. The Company committed to taking such measures as implementing High Conservation Value Forests and High Carbon Stock assessments, reducing GHG emissions, and practicing responsible supply chain and procurement. To facilitate the implementation of the Forest Conservation Policy measures, APP-China Forestry initiated the Sustainable Development Policy, Social Employment Policy, and Environmental Policy with the assistance of The Forest Trust (TFT).

As trees grow, they are moved from seedling nurseries to forestland. APP-China owns two large seedling nurseries in Hainan and Guangxi, with 1,000 and 30 million respectively. APP-China Forestry made a handsome investment in building a modern BGD center in the seedling nurseries, where research on forest breeding, forestry diseases and insects, and soil and fertilizers is carried out, and quality breeding lines suitable for making paper and pulp are collected, explored and developed. All these are done to promote scientific forestry and guarantee the growth quality of planted trees. Moreover, the Company has formulated a complete sustainability-based forestry management system and standard operating procedures for the whole forestry process from logging, plantation, and planting with green fertilizers to forestry safety, and introduced the Forestry Management System (SMS) back in 2009 to enhance efficient management and remote monitoring of forestry.

Regarding suspicion of the negative impacts caused by planted eucalyptus forests on the environment, we believe that besides developing technologies to enable sustainable management of planted forests, measures should also be taken to promote sustainable land utilization and ecological preservation in clear keeping with the positive and negative environmental impacts of large-scale planted eucalyptus forests to and minimize the negative impacts, thus creating a genuinely ecological industry. We invite professional organizations, including the Research Institute of Tropical Forestry, Chinese Academy of Forestry (RITE, CAF), to regularly conduct monitoring of the ecological and environmental impact of planted eucalyptus forests so as to detect and address the environmental issues in forestry in a timely manner. Additionally, we provide employees and contractors with training in several forms including training on eco-protection to continuously raise the forestry staff awareness on forest and environmental protection and minimize the impact of forestry operations on the environment.
Management of High Conservation Value Regions

High Conservation Value (HCV) regions have special biological, ecological, social or cultural value which are significant or critically important. Forest managers need to determine the HCV regions in their forest operation units, maintain or enhance the attributes of such regions, and monitor the results of their management. Based on their functions, HCV regions fall into six categories, namely biodiversity, landscape-level ecosystems and ecosystem mosaics, ecosystems and habitats, basic ecosystems and ecosystem mosaics, historically or enhanced eco-risks can be avoided by aligning our forest management with the requirements of HCV regions. In the future, we will continue to implement HCV evaluation on more of our forestland.

We have been offering training to employees and contractors on HCV regions since 2013. In 2017, we compiled the Inventory of Protected State-level Animals and Plants in Hainan, which covers 71 different animals and 46 different plants. The document assists our employees and contractors to know and recognize rare animal and plant species in our forestland to provide them with better protection.

Forest Certification

Forest certification aims to guarantee the legitimacy and sustainability of forest operations and utilization. It demonstrates to the government, customers, and consumers not only the sustainable operations and management of forests, but also the legitimacy of sources for the raw materials and products. The Programme for the Endorsement of Forest Certification (PEFC) represents the world’s top-level practice for forest management, and fully incorporates the local factors of each country such as forest ecosystem, legal and administrative systems, and social and cultural background.

APP-China played a key part in bringing about the mutual recognition between CFCC and PEFC. This means that CFCC is officially recognized internationally, which is a significant step in improving the competitiveness of China’s forest products. The CFCC/PEFC certification provides forest owners and managers with recognition for their responsible management practices, showing that such practices meet the requirements for best sustainable forest management practices with respect to biodiversity, ecosystem service scope, use of chemicals, labor rights, indigenous rights, and compliance with laws and regulations, etc.

APP-China started to label its household paper and copy paper with the CFCC/PEFC certification logos in 2015 to give them a “green passport”. More brands under APP-China, such as Breeze™, will be bearing the logo in the future. By doing so, we expect to further enhance market awareness of green consumption, and call for more peer companies to join the club and work together to promote sustainable forest management.

As of the end of 2017, over 250,000 hectares of APP-China’s self-managed forests had been CFCC/PEFC-certified, accounting for 88.36% of total owned area, and the CFCC/PEFC certification rate of self-managed forests supplied to paper and pulp mills reaches 100%.

Controlling Raw Materials to Build a Responsible Supply Chain

Preventing Defects at the Origin and Being a Good Goalkeeper for Product Quality

We have to watch for what we eat in order to stay healthy. In the same token, the health of a company begins with preventing defects and poor quality in raw materials.

This is what Yin Lijuan has been doing since joining the Raw Material Team of Quality Assurance Section, Gold East Paper in 2010, namely ensuring quality of the raw materials before their entry into the mills, on which subsequent production depends.

Before this, Yin Lijuan had been working for 17 years at the company’s R&D center to perform all sorts of tests and precise analysis of paper. The role has equipped her with a robust knowledge base, strong operations ability, outstanding data analysis ability, and a meticulous work attitude. Her expertise enables her to approach demands for raw materials from the product perspective, and her dedication has instilled in her an increasingly strong passion for her job as a “goalkeeper” for product quality.

Standing at the threshold of product quality guarantee, Yin Lijuan and her team believe they have to be fair and just, and firmly apply corresponding standards to the examination of different raw materials by working with the headquarters and production department and coordinating the work of procurers and suppliers, always remaining fair, just, and impartial. Besides guaranteeing quality of raw materials that meet products’ needs, they also need to ensure their strict compliance with the national environmental standards and rigid control over the level of toxicants and pollutants contained.

In order to help suppliers understand the company’s requirements for the quality of raw materials, Yin Lijuan seeks constant communication with them and offers explanation by citing the demands of end-customers for printing and processing technologies and the requirements set out in national environmental policies. Her efforts made the suppliers more open to raising their standards to make a joint effort to improve product quality.

Changes made to the standards for mechanical pulp testing is one of the examples. Mechanical pulp suppliers provided only a limited number of product indicators, and there was a blurred difference between the product quality indicators they provided and the test results at Gold East Paper. Quality that fel short of expectations became a common cause of customer complaints and disputes. To ensure consistent standards, Yin Lijuan and her team studied a wealth of materials and the historical testing results, and conducted a great number of experiments for comparison with suppliers’ results. Their argument was supported by international standards and detailed data, and finally helped remove the technical gaps in benchmarks. As a result of the joint efforts with the purchase department to consistently engage suppliers in communication about the quality requirements for the raw material, three suppliers agreed to raise their standards to reach the company’s requirements and add more management and control items necessary for production, thus achieving win-win cooperation.

Having worked at Gold East Paper for nearly 20 years, Yin Lijuan is a witness to the company’s growth, which is imbued with innovation. To her, this is also a process of enhancing her own value. Yin Lijuan still clearly recalls attending the award ceremony for the Gold East Paper Printing Technology Award in 2000. While assisting the experts in candidate assessment, she not only saw works showcasing high-end printing technologies, but also acquired knowledge on printing, design, and other areas. Yin Lijuan marveled at the beauty of expertise when developed to its fullest. Pursuit of professionalism and seeking to attain the ultimate is the greatest expression of Yin Lijuan’s dedication to her job.
Raw Material Procurement

As one of the largest paper product suppliers in China, APP-China incorporates sustainability into the entire process of raw material procurement, dedicated to promoting the sustainable operations of suppliers through responsible procurement. Our procurement mainly covers important raw materials for production, such as chemicals, woodchips, wood pulp and waste paper, as well as services in areas like sewage treatment and new energy facilities. We have formulated a series of supplier screening and assessment standards in place to ensure the quality and legitimate sourcing of raw materials at the origin, and give priority to certified raw materials.

We updated our supplier risk assessment process in 2017 by including verification of the reports and certificates provided by suppliers. We also followed the latest standards for our suppliers to help them obtain PEFC certification. In addition, we launched the supplier registration system, where suppliers are asked to provide detailed information on everything related to the supply chain in terms of products and services, production, technology, health, safety, environmental protection, etc. The system improved the efficiency of our procurement while also facilitating our communication with the suppliers.

As of the end of 2017

The number of enterprises subordinated to APP-China that have obtained PEFC CoC certification in 2017 APP-China Pulp Procurement

<table>
<thead>
<tr>
<th>Supplier Region</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>APP-China Pulp Procurement</td>
<td>16</td>
<td>16.9</td>
<td></td>
</tr>
<tr>
<td>Total Pulp Procurement (ton)</td>
<td>5,409,700</td>
<td>5,732,450</td>
<td>7,165,800</td>
</tr>
<tr>
<td>Total Volume of Certified Pulp (ton)</td>
<td>4,713,330</td>
<td>4,983,130</td>
<td>5,720,248</td>
</tr>
</tbody>
</table>

Certified wood fiber accounts for 16.9% of total wood fiber purchased.

As of the end of 2017

The difference in proportion is primarily determined by the quality and market price of pulp.
Adhering to Green Production through Multiple Measures

Making Papermaking Cleaner

When filling out the college application, Li Bin chose the major of Environmental Engineering, which was not very popular at that time. He was stubborn and dedicated, and looked forward to putting his professional knowledge to use someday. In 2004, Li Bin fulfilled his wish and started his career in environmental protection in Hainan Jinhai Pulp & Paper as a workshop operator responsible for sewage treatment.

During more that a decade of work in environmental protection, Li Bin witnessed how Jinhai Pulp & Paper has improved its environmental performance step by step and achieved a balance between taking environmental responsibility and controlling costs of environmental protection. Li Bin thinks that the achievements of Hainan Jinhai Pulp & Paper today are closely related to the Company’s environmental citizenship.

Take sewage discharge as an example. China began to implement the COD emissions limit of 108 mg/L in 2011. Since its establishment in 2004, Hainan Jinhai Pulp & Paper has actively supported the work of the Ministry of Environmental Protection. It became a pilot enterprise that met the emissions requirements. As a result, the COD emissions per ton of pulp produced and per ton of pulp produced from Hainan Jinhai Pulp & Paper are only 0.3 kg and 0.1 kg respectively, which are far below the national standard limit of 20 kg.

In recent years, the pulp and paper industry of high consumption, severe pollution, and waste, etc. has become one of the key issues in improving environmental protection into its production and operation processes, and strives to change the stereotype of the paper and pulp industry of high consumption, severe pollution, and inefficiency. We think that only by taking firm environmental protection actions can we turn pressure into opportunities and remain competitive as a sustainable company.

Resource and environmental protection have become one of the key issues in global sustainable development. China is now at a crucial stage of low-carbon development and transformation. In recent years, companies face increasingly stringent environmental protection requirements due to the ever-strengthened environmental supervision and governance. As a leading company in paper and pulp industry, APP-China has always integrated environmental protection into its production and operation processes, and strives to change the stereotype of the paper and pulp industry of high consumption, severe pollution, and inefficiency. We think that only by taking firm environmental protection actions can we turn pressure into opportunities and remain competitive as a sustainable company.

In the future, we will continue to make progress in water conservation, sewage reduction, and ultra-low exhaust emission, and we hope to participate more in industrial construction to contribute to the healthy development of the pulp and paper industry.

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Environmental Management

Total Environmental Investment of APP-China

The mills have installed online environmental monitoring instruments at pollutant outlets and sewage discharge points and boiler flue gas emission points to comprehensively monitor COD, ammonia-nitrogen, sulfur dioxide, nitrogen oxide, and smoke dust, etc., thereby managing exhaust gas and sewage discharge more effectively.

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Water Resources Management

APP-China has established an effective water resources management system to achieve water recycling and reuse by continuously improving the water recycling and reclaimed water reuse systems.

In the meantime, they should be communicating with the government, social groups, students, community residents, and other stakeholders besides his daily management responsibilities. Through discussions on environmental issues such as the treatment of air emissions, solid wastes, and water, Li Bin learned more about the environmental concerns of the public and gained a deeper understanding of business environmental mission and pressure he believes that besides fulfilling his duties in environmental protection, he also needs to clearly represent the social responsibility of the Company to the public.

At present, in addition to real-time disclosure of the environmental monitoring data, the Company also set up an open house day inviting the public to visit. During the visits, Li Bin introduced the Company’s emissions and always responded to visitors’ questions with great enjoyment. Li Bin is well aware that his environmental mission and pressure to enhance water recycling and reuse.

Guangxi Jingu Pulp & Paper Carrying Out Water Saving Action

Guangxi Jingu Pulp & Paper has long held the industry in water efficiency. In order to make further progress in water conservation, the Company set up a water-saving action group, requiring each plant to clearly understand the relationship between water consumption and yield at each water use point in order to determine whether there is potential for water efficiency improvement. The action achieved concrete results, saving 5,050 cubic meters of water per day merely by filtration and recycling of sewage condensate from the alkali recovery plant and reuse of water in the pulp plant.

Total Water Withdrawal

COD Emissions per Ton of Pulp Produced

COD Emissions per Ton of Paper Produced

Seawage Discharge

Seawage Discharge per Ton of Pulp Produced

Seawage Discharge per Ton of Paper Produced

COD Emissions per Ton of Pulp Produced

COD Emissions per Ton of Paper Produced
In 2017, Guizhou Jingui Pulp & Paper, Hainan Jinhai Pulp & Paper, Gold East Paper, Hainan Gold Hongye, Hainan Gold Shenggu and other mills obtained the new pollutant discharge permit issued by the Ministry of Environmental Protection. Unlike the previous permit, the new permit requires information disclosure. The public can easily access the national pollutant permit information platform by scanning the QR code on the website and the permit, where the companies’ pollutant outlets can be clearly viewed on the satellite map. The platform also provides information on the types of major pollutants such as exhaust gas and sewage, corporate self-monitoring, major pollutants such as exhaust gas provides information on the types of pollutant outlets can be clearly viewed and the permit, where the companies’ pollutant permit information platform.

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### Addressing Climate Change

Climate change has become one of the most severe challenges facing the human society. To address climate change, China has been strengthening energy conservation and emission reduction, optimizing energy structure, encouraging clean energy use, and reducing greenhouse gas emissions. APP-China continues to improve its energy management system, reaching energy-saving targets by strengthening energy measurement and statistics, regularly analyzing energy consumption data, conducting energy-saving education and promoting energy efficiency. The Company commits itself to reducing the use of fossil fuels and promoting the use of new energy sources such as biomass and solar energy. Mills such as Hainan Jinhai Pulp & Paper, Gold East Paper, NINGHAO, and Guizhou Jingui Pulp & Paper have developed sludge drying equipment, which significantly reduces coal use by utilizing the residual heat from steam turbine to dry and burn sludge.

APP-China mills actively cooperate with the government to carryout greenhouse gas emission reviews. In 2017, Guizhou Jingui Pulp & Paper audited its energy use of 2016. The greenhouse gas emissions in 2016 and 2017 were calculated in accordance with requirements, and the emissions report passed the on-site third-party audit. In addition, Gold East Paper discloses information every year on the greenhouse gas emissions in its manufacturing process to overseas customers and third-party organizations in need of such information.

### Gold Huasheng Promoting Biomass Power Generation

Following the energy policy of “optimizing energy structure, rationalizing resource use, developing circular economy, and achieving sustainable development”, Gold Huasheng has determined its annual target of “saving total coal consumption”. The Company strictly controlled coal consumption by replacing coal with biomass fuel, increasing coal calorific value, purchasing municipal electricity to reduce self-generated power, and appropriately reducing production by paper machines. As a result, the coal consumption decreased from 691,000 tons in 2016 to 654,000 tons in 2017, with a total reduction of 37,000 tons, achieving both economic and environmental benefits.

### Gold East Paper Promoting Photovoltaic Power Generation

In response to the national policy of accelerating the development of new energy industry, Gold East Paper has vigorously promoted energy conservation and emission reduction measures, and built large-scale solar power demonstration plants by taking full advantage of its high-quality roof resources. The project adopted the scheme of continuous construction and simultaneous grid connection, where all electricity was spontaneous and used for self-consumption and residual electricity was connected to the power grid. The 1st phase project of the 20MW rooftop photovoltaic power station and 2nd phase project of the 10MW rooftop photovoltaic power station have been completed and put into operations in June 2016 and November 2017 respectively. The average annual on-grid power is expected to reach 20 million kWh.
Air Pollutants Emission Reduction

Air pollution has caused increasingly significant negative impacts on human health. The regulatory authorities have continuously raised the requirements on manufacturing enterprises for the concentration of air pollutants. “To make the skies blue again” requires companies to work together to effectively reduce the total amount and concentration of air pollutants by optimizing the industry structure, adjusting energy structure, and modifying and upgrading manufacturing equipment.

In recent years, APP-China has increased the use of clean energy, thus contributing to the reduction of air pollutants. Meanwhile, Ningbo Asia, Guangxi Jingui Pulp & Paper, Gold East Paper, and other major mills have carried out ultra-low emission upgrades of boiler equipment in thermal power plants, thus significantly reducing the concentration of emissions including smoke, dust, sulfur dioxide, and nitrogen oxides, etc., and satisfying the national ultra-low emission requirements. The mills plan to meet the natural gas emission standards in 2018 or 2019. Due to the latest construction of sludge incinerators and increased yields in some mills, the total emissions of relevant air pollutants increased in 2017.

Exploring Waste Reuse

Based on the principle of “Reduce, Reuse, Recycle”, APP-China disposes of wastes generated from manufacturing in a scientific and effective manner and maximizes the reuse of wastes to turn them into useful resources. APP-China mills have been actively seeking possible ways of waste reuse, such as making bricks using the ash and slag generated from boilers, incinerating and composting by sludge from sewage treatment, and putting muffle waste residue into the boilers of the self-supplied power plants for flue gas desulfurization, which has not only reduced the use of industrial raw materials, but also mitigated environmental pollution from solid waste.

Gold East Paper Actively Implementing Comprehensive Use of Waste

Solid waste generated from the production of Gold East Paper includes sludge cake from the sewage plant and ash from the power plant, etc. Through comprehensive efforts and shared responsibility, the Company’s total use rate of solid waste has reached 99.8%.

The Company uses primary sludge from sewage treatment as the raw material for producing paper covers, which contributes to waste recycling and reuse and a reduction in solid waste generation and resource use. The production line of sludge paper covers has an annual sludge treatment capacity of 1,000 tons and COD treatment capacity of 25 tons, and monthly paper cover production of 40,000, which represents RM1.2 million in cost savings per year.

In order to control the dust concentration of fugitive emissions, the Company directly transported the ash generated from the production by closed tankers to professional ash utilization companies to produce block bricks. The product has passed the evaluation of provincial experts and been awarded as a key recommended product by the Zhenjiang Wall Materials Reform Office.
Staying Vigilant to Improve Safety Management

Safety is a key management priority for a manufacturer. APP-China implements the “people-oriented” safety management concept, and strives to create a “zero accident” production environment. We have the OHSAS18001-based safety management system and a progressive safety production responsibility system in place to continue to intensify safety control. We take each and every work-related injury seriously, and follow up with a meticulous investigation and cause analysis to implement timely rectifications. We incorporate the analysis and lessons in subsequent safety training to prevent similar incidents from happening again. Injured employees are immediately sent to the medical office or hospital for treatment, and are provided with work injury identification and insurance payment. In 2017, the number of work-related injuries in the mills and units within the reporting scope totaled 79 incidents, and there was one work-related death.

In 2017, APP-China continued to intensify efforts to enhance safety management system construction and potential risk identification. The mills summarized and improved their organizational framework for safety management according to their own business operations, and followed up and promoted safety implementation term by term to ensure all sections of dangerous operations are coordinated to enhance rectification of potential risks.

On the contractor front, we fulfilled our responsibility for safety supervision, management, and guidance, and formulated the Regulations for Contractor Safety Management to enhance more strict supervision and management regarding the safe production of contractors and minimize safety incidents. We perform on-site inspection of the contractors’ own production facilities and safe production behaviors and a monthly appraisal of their safe production behavior and safety performance. We also push for full compliance with the safe production provisions and engage our contractors in thorough communication on safety technologies prior to operations, all in an effort to help them improve capacity for safe production management.

Intensifying Safety Management

In 2017, APP-China provided a wide array of safety training and education activities that covered industrial safety, occupational health and fire control, etc., with a view to enhancing the safety awareness of all employees and contractors. The mills organized daily “safety morning meetings” and routine safety meetings and hosted many safety activities to deeply ingrain safety into the minds of employees and contractors.

Safety Education and Training

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Gold Huasheng Establishes a Comprehensive Safety Management System

Since adopting the OHSAS18001 system back in 2006, Gold Huasheng has established a comprehensive safety management system and passed the CDC (Care Quality Commission) audit certification. In line with increasingly higher requirements for safe production, Gold Huasheng updated its safety management organizational framework in 2017 to begin implementing the dual management mode of function-based supervision and regional self-management, where safety routines are to be followed up and implemented term by term.

The Company improved its capacity for safety management by designing a progressive safe production responsibility system that specifies role-based responsibilities, and by organizing a rich variety of safety awareness-raising events. Moreover, the Company signed the Management Agreement on Safe Production with all contractors that requires them to attend a monthly safety meeting, thus taking their work under our scope of safety management. The Company also invited a number of experts to provide training on safe production responsibility systems, with a view to enhancing the safety awareness of all employees and contractors. The mills organized daily “safety morning meetings” and routine safety meetings and hosted many safety activities to deeply ingrain safety into the minds of employees and contractors.

Gold Huasheng hosted various safety activities in 2017, including 43 activities in the “Safety Month,” such as safety knowledge contests and the fire control techniques contests, to delve deeply into the potential causes of safety incidents. During this process, employees joined hands with contractors and discovered 125 potential safety problems through brainstorming. 20 suggestions for improvement have been selected for successful implementation. Those activities played an important role in improving the safety knowledge and skills of the employees and contractors.

Ningbo Asia Hosting “Safety Management Reinforcement Training for Leaders”

The ability and awareness of leaders in safety management is key to the safety of their teams. For this reason, Ningbo Asia invited experts from a third-party agency to give safety management training to 240 leaders in 2017. Citing common safety management problems, the experts expounded the safety issues by introducing the latest government laws and regulations, safe production provisions of Zhejiang province, case studies on major safety incidents, prevention and treatment of occupational diseases, and other areas. The leaders who participated all spoke highly of the training, saying that they learned a great deal from it and will put it to practice to improve their level of safe production and management.

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People are the cornerstone of a business, and one of the core growth driving business development. A high caliber of talent helps companies remain competitive in the marketplace. In recent years, China has stepped up formulating policies to eliminate outdated industrial capacity and generating increased concentration of production capacity in the pulp and paper industry. The trend in China now is to pursue large scale production, new technologies, new facilities and modernized management. The development of the pulp and paper industry gives rise to a growing need for high-performing, versatile talent. For this reason, it’s crucial for businesses’ sustainable development to give priority to the coaching, encouragement, and retention of talent with papermaking expertise.

**Sustainable Development Background**

APP-China values every dedicated employee. The Company provides competitive remuneration and benefits, and supports employees’ professional development by offering training and competitions that expand their skills and horizons. Corporate culture construction is an important objective for the Company, which is intended to guide the behavior and continued growth of every employee. Moreover, the Company pays close attention to guaranteeing work-life balance for all employees.

**Management Approach**

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**Alignment with SDGs**

- Starting planning the construction of corporate university
- Adopting post-based skill and ability model, undertaking vocational training, encouraging employees to participate in skills competitions
- Promoting corporate culture system, taking diverse measures to ingrain corporate values into employees
- Providing employees with competitive remuneration
- Having a multi-channel communication mechanism in place to encourage employees to voice their opinions
- Caring for employees and their families; organizing rich recreational activities; sending wishes and greetings on holidays and festivals

<table>
<thead>
<tr>
<th>Employee training investment</th>
<th>Employee training time</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.97 million yuan</td>
<td>762,556.9 hour</td>
</tr>
</tbody>
</table>

**Number of employees in China**

30,862
Honing Craftsmanship

“Craftsmanship” became a buzzword in 2016. Su Jianshi, Maintenance Section Supervisor and Senior Technician of Gold East Paper, would often hear his colleagues and friends say to him, “Master Su, you are the best example of ‘Craftsmen of the Nation’!” To this, Su Jianshi would always respond with a humble smile. Su Jianshi was named “Manufacturing Craftsman of Zhenjiang” in 2017. Never sententious to show off his merits, ever since Su Jianshi started working at APP 28 years ago, he has consistently shown his commitment to learning, giving, sharing, and loved the spirit of craftsmanship.

Back in 1998, 20-year-old Su Jianshi started his career at theGamma Paper System. Guided by his interest, he worked as a welder in a variety of posts. Talented and diligent, Su Jianshi was promoted to coach after only two years working as an apprentice. He remained an able technician and won numerous awards in national competitions.

Su Jianshi’s level of mastery drew the attention of the APP’s Jambi Pulp Mill in Indonesia, which was in dire need of such talents. Su Jianshi arrived in Indonesia in 1995, and took over welding projects for titanium and titaniu alloys, as well as nickel and nickel alloys. These projects were so challenging that no welder in Indonesia was good enough. However, it only took 70 days for Su Jianshi to show from planning to seeing the successful output of 1,600 welders, 100% qualified, which made a significant contribution to the mill’s operations. The Jambi Pulp Mill truly marveled at Su Jianshi’s skills, and he went on to stay in Indonesia and started a career in the papermaking industry, securing APP into his career path.

In 1998, the adorning Gold East Paper, which was then still a tender contractor, invited Su Jianshi to work in China as their technical adviser. Su Jianshi agreed without hesitation, and started his new job in Zhenjiang New Area, where road construction was still unfinished.

To keep up with the progress of the mill construction, Su Jianshi taught himself equipment maintenance and pipe installation, etc., areas all new to him, and made the gradual transfer from being a welder to a professional equipment maintenance technician through continual exercises. With years of practice, he was able to achieve radical innovations based on traditional welding and equipment maintenance techniques, and successfully addressed numerous technical challenges. His contributions, from repairing the screw wood chip border from Germany, and a large screw chute to troubleshooting the mill’s power plant, have helped the mill save tons of millions of RMB.

Of all these achievements, Su Jianshi finds the greatest pride in the daily maintenance and repair of the high-consistency refiners, which are the core low-bag facilities. Given that any problem involving high-consistency refiners could cause pollution to the environment, Su Jianshi leads his team to run routine inspections and maintenance of the equipment on a weekly basis to ensure the facilities are safe and environmentally sound. However, major repair of high-consistency refiner is a complicated, delicate, and costly, with a labor cost of up to RMB 1.2 million alone for repair at the original factory. After studying a wealth of foreign materials, Su Jianshi and his teammates accomplished major repairs in house. As a result, Gold East Paper is the only paper mill in China capable of such work.

Su Jianshi is well aware that the development of the mill and China’s papermaking industry at large calls for a huge number of outstanding technicians. For this reason, he started to pay attention to training talent from the outset, and gradually established a rolling training system that ranks welders from the outset, and gradually established a rolling training system that ranks welders from the outset, and gradually established a rolling training system that ranks welders from the outset, and gradually established a rolling training system that ranks welders from the outset, and gradually established a rolling training system that ranks welders from the outset, and gradually established a rolling training system that ranks welders from the outset, and gradually established a rolling training system that ranks welders from the outset, and gradually established a rolling training system that ranks welders from "mentoring, helping, and guiding" method, and in this way supplied 22 senior technicians and 16 technicians for the Company in the last three years.

The story of Su Jianshi is the systems of thousands of dedicated employees at APP-China. They are the shining stars of the Company and their hard work is in the heart of the Company’s success.

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Providing Training to Unlock Employee Potential

APP’s Jambi Pulp Mill in Indonesia focused on the actual development needs of employees, managers, lecturers, and reserve leaders in great detail, and used the survey results as basis for the corporate university planning.

APP started the planning of corporate university construction in 2017. Personnel in charge of the project visited and surveyed mills in China and Indonesia to understand the training needs of employees, managers, lecturers, and reserve leaders in great detail, and used the survey results as basis for the corporate university planning.

Dual-channel career development training and staged training schemes are in place to ensure comprehensive training and skill development for all employees. Additionally, the Company developed the APP Online Academy, which offers employees access to solutions and expert opinions at all times and places.

APP-China started to implement the post-basel skill and ability model on a full scale in 2016. The model officially entered the training stage that covers all employees in 2017. At the same time, diverse training schemes have been formulated at different mills and units to address the actual development needs of employees and improve their work skills and overall qualities.
Gold Huasheng Supports Employees’ Career Advancement

In 2017, Gold Huasheng invited professors from Nanjing Forestry University to host training and communication events on paper production and papermaking technologies targeting R&D personnel and front-line supervisors. The event effectively enhanced their ability to solve work problems in a scientific way. The company has successfully registered with Suzhou Industrial Park for the Training Scheme for Professionals in Short Supply. Employees were offered a series of choice courses including Financial Management for Non-Financial Manager and Public Speaking and Presentation Skills for Managers, etc. In addition, the company entered employees in the “Jinji Lake Entrepreneurship Mentoring Service Program – A Trip of Leading Enterprises in China” organized by the Park. During the trip, employees studied the philosophy and approach underpinning Tencent’s continuous creation of successful products and how Huawei builds a customer-centric management system based on processes, systems, and culture.

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2. Training on paper production and papermaking technologies organized by Gold Huasheng

APP-China actively implement the MBOS spirit and cultivation and play a unique role in talent development and papermaking technologies targeting R&D personnel and front-line supervisors. The event effectively enhanced their ability to solve work problems in a scientific way. The company has successfully registered with Suzhou Industrial Park for the Training Scheme for Professionals in Short Supply. Employees were offered a series of choice courses including Financial Management for Non-Financial Manager and Public Speaking and Presentation Skills for Managers, etc. In addition, the company entered employees in the “Jinji Lake Entrepreneurship Mentoring Service Program – A Trip of Leading Enterprises in China” organized by the Park. During the trip, employees studied the philosophy and approach underpinning Tencent’s continuous creation of successful products and how Huawei builds a customer-centric management system based on processes, systems, and culture.

3. APP-China Forestry MBOS Conference

Competition for Employees

Competitions for Employees

1. Vocational skills competitions are an important form of technical talent training and cultivation and play a unique role in talent training building. Many mills and units under APP-China actively implement the MBOS spirit of “comparing, learning, advancing, helping and outperforming”, and make a point of using competitions for improving skills and training management to provide employees with a sound platform for growth.

2. APP-China Forestry organized a series of MBOS-centered competitions such as the SDA Competition, the Specialty Experience Sharing Competition, the Outstanding Forestry Farm and Forestry Station Experience Sharing competitions, and the Outstanding Strivers’ Competition, etc. Gold East Paper hosted the Filter’s Skills Competition and the Production Skills Competition, and entered into the 9th Joint Part-Mechanical Skills Competition. Gold Huasheng hosted a variety of competitions including the Paper Sorting and Selection Competition for paper grade and defect assessment, the in-house R&D Competition that encourages innovation, and the Fire Safety Competition focused on skills enhancement. Guangxi Jingui Paper & Pulp organized 41 skills competitions and events covering woodchips sample moisture detection, visual assessment of pulp whiteheads, changing of packaging and supervision system. The Company has various channels in place to ensure that employees’ most relevant life and work concerns are heard and addressed, including employee representative meetings and whistleblower mailbox, etc.

3. Themed culture construction

4. Cultural training

5. Building internal and external communication platforms

6. Popular employee engagement activities

Engaging Employees to Create an Inclusive Environment

The sustainable development of a company is rooted in an excellent corporate culture, inseparable from the joint efforts of all employees. Based on the new APP-China corporate culture system, we expect every employee to abide by the moral standards of “Integrity and Commitment” and act in line with the action guidance of “Customer Focus, Acting Like Owners, Results Orientation, and Continuous Improvement.” By implementing its original Management by Olympic System (MBOS), APP-China encourages employees to shoulder the mission of “Implementing green-cycle-based development, advancing papermaking civilization, and improving quality of life” to materialize the vision of “continuously bringing the world a superior, fully-integrated green-cycle plantation, pulp and paper conglomerate.” Toward these ends, we carried out a variety of cultural communication activities in 2017, laying a sound basis for the implementation and materialization of our cultural concepts.

1. Stepped-up building a culture of customer-centricity, innovation, and integrity, built a strivers’ platform to host experience sharing and exchange events.

2. Internally, communicated corporate culture to employees via WeChat subscription account, cultural columns, and communication mailbox, etc.; externally, conveyed the Company’s mission and values to the public and other stakeholders through the stories of APP people.

3. A rich variety of inspirational cultural activities were organized at different mills to make employees truly perceive the close connection between corporate culture and personal development.

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5. Guanzhong Pulp & Paper Department employee exchange meeting

6. Gold East Paper employee symposium

Boosting Employee Communication

APP-China makes a continued effort to improve the employee communication mechanism and build a sound complaint and supervision system. The Company has various channels in place to ensure that employees’ most relevant life and work concerns are heard and addressed, including employee representative meetings and whistleblower mailbox, etc.

1. Conveying Corporate Culture

2. Engaging Employees to Create an Inclusive Environment

3. Boosting Employee Communication

4. Building Sound Employee Communication Channels

APP-China Mills organize diversified employee exchange events on a regular basis to safeguard employees’ legitimate rights. They provide employees with the opportunity to have their voice heard and strive to make them feel supported for contributing to the Company’s democratic system.

In 2017, 105 employee representatives from Ningbo Asia attended the employee representative meeting, where they engaged in thorough communication with senior leaders, and received detailed replies for each of their wide-ranging proposals. Guangxi Jingui Paper & Pulp uses multiple means to communicate with employees, such as employee communication meetings, performance talks, and complaint boxes. The human resource department collects questions from employees on a quarterly basis and requires relevant departments to implement improvements. The results for improvement are published on the Company’s internal website after being reviewed by the management.

At Gold East Paper, the senior management and Party organization representatives sat down with over 100 employee representatives and heard their comments on production, maintenance, safety, remuneration, benefits, logistics support, and other areas. Every question was given a complete and detailed reply.
Delivering Care to Enable a Balanced Life

We pay close attention to our employees’ personal needs and strive to create a relaxing and open work environment that fosters employee engagement. We encourage employees to participate in recreational activities, and hosted a series of billiards, table tennis, and badminton friendlies that deepened communication among employees and enriched their lives.

A number of APP-China mills implemented the “Scholarships and Grants for Employees’ Children” event to reward academic achievers. Moreover, the Company visits employees on a regular basis and provides those in difficulty with needed material and spiritual support.

Ningbo Asia: Addressing Employees’ Difficulty with Their Children’s Schooling

Children’s schooling is a top priority for every family. The migrant employees at Ningbo Asia are no exception. Despite their wish to have their children live with them, it is not always easy for their children to receive school education locally due to particular local requirements.

In order to provide those employees with needed assistance regarding this issue, the Company invited experts from the Qijiashan Sub-district Office to give a lecture on local schooling policies for migrant workers’ children so as to equip those employees with knowledge necessary for making timely plans, thus effectively addressing their difficulty and worries.

Gold East Paper: Making the Company a Home to Employees

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Scholarships and Grants for Employees’ Children

The program rewarded 112 children in 2017, and has benefited nearly 300 students since its inception in 2012, totaling over RMB350,000 in investment.

Employee Family Open Day

The Company invited employees and their families, 97 in total, to participate in the Gold East Paper Employee Family Open Day to help them learn more about the Company at a close range.

Visiting employees in difficulty

The Deputy General Manager and Chairman of the Labor Union visited 43 employees at their homes shortly before the 2017 Spring Festival, and brought gifts and financial aid to families in difficulty.

Gold Huasheng: Celebrating the Dragon Boat Festival Together

With the Dragon Boat Festival approaching, a dozen employee volunteers from Gold Huasheng personally prepared over 500 exquisite scented sachets using medical herbs like lavender and wormwood, and made traditional Chinese rice puddings together with community workers. Led by Chairman of the Company’s Labor Union Committee, the volunteers paid a visit to live-in employees on the day of the festival to bring them the sweet-smelling sachets, love-filled rice puddings, and authentic-tasting salted duck eggs. The joyous greetings and wishes brought great warmth to the employees’ hearts.

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Uniting to Aid Community Development

Sustainable Development Background

According to the report to the 19th CPC National Congress, “As socialism with Chinese characteristics has entered a new era, the principal contradiction facing Chinese society has evolved. What we now face is the contradiction between unbalanced and inadequate development and the people’s ever-growing needs for a better life.” As a significant economic driver, enterprises are capable of helping the government and society address the issue of unbalanced and inadequate development in various ways. Pulp and paper companies belong to the traditional manufacturing industry, and a great part of their operations and production is closely related with stakeholders. Therefore, it is an important obligation and responsibility for pulp and paper companies to maintain thorough communication with and actively give back to the community.

Management Approach

APP-China pays close attention to community engagement during daily operations, and has established barrier-free communication channels to keep neighboring residents updated about the Company’s environmental performance. Leveraging its strengths, the Company takes the initiative to organize activities to educate the public about paper culture and sustainable development. The Company commits itself to charitable causes by the concept of “Benefiting Everyone”, and gives back to the society through the Huang Yicong Foundation and the various public benefit activities at its mills.

Alignment with SDGs

- Formulating the Regulations for Community Communication Management
  - Regulations for Management of Complaints and Disputes to regulate community communication and dispute handling
- Inviting community residents and students to visit mills; setting up the voluntary environmental supervisors’ team to improve transparency of environmental operations
- Publicizing papermaking culture by organizing papermaking classes and mill visits, etc.

- Hosting activities such as “Paired Financing”, “Little Sun Children’s Classes”, and “APP Lighting up Dreams” to improve education for vulnerable groups and in remote areas
- Awarding and helping outstanding students in remote areas through programs such as “Yicong Scholarship”, “Fujian Yicong Academy Teachers & Students Fund”, and “Yicong Capacity Building Summer Camp”
- Building public benefit platforms for young people through “APP Youth Public Benefit Internship” and “College Student Society Public Benefit Activities”
- Taking an active part in blood donation and corporate donation events

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>External donation</td>
<td>18.69 million yuan</td>
</tr>
<tr>
<td>Volunteer service</td>
<td>26,645 hours</td>
</tr>
</tbody>
</table>
Staying Devoted to Build a Harmonious Community

Respecting Community Rights and Interests

Building a Beautiful Community with Stakeholders

2017 marks the tenth year that Wang Wei has worked at Ningbo Asia, and for ten years, his work has always revolved around environmental protection. Having grown from a monitoring technician at the Monitoring Section of the Department of Water Environment to the Environmental Protection Specialist he is today, Wang Wei is acutely aware of the importance of stakeholder engagement for environmental protection work.

Ningbo Asia is located in a populated area, and residents in the neighborhood are heavily concerned about the Company’s environmental impact. Wang Wei believes that before reaching the community about its environmental efforts, the Company must first play its part by publicly disclosing its environmental performance in a proactive and transparent manner. The Company will also keep its door open to the public so that they can see for themselves how it works. This is why Ningbo Asia invites neighboring residents to visit its mills every year.

To guarantee the community’s rights to knowledge, supervision, and involvement regarding the Company’s work in environmental protection, Wang Wei and his colleagues adopted an environmental method and held on community residents to visit its Company’s voluntary environmental supervisors. Upon receiving public complaints, the supervisors can survey the mills immediately. They are also invited on a quarterly basis to attend the environmental protection symposium organized jointly by the Department of Energy, the External Relations Office, and other units. The supervisor team serves as a bridge in bridging communication between the Company and neighboring residents, and prompts the Company to implement an evolving environmental commitment.

Besides direct involvement of residents, Wang Wei also thinks highly of the government’s role in promoting environmental construction of the community. In recent years, businesses face growing pressure from ever-heightened regulatory standards in environmental protection. At the same time, as Wang Wei notices, the government has taken positive measures to help businesses better their environmental protection technologies. For example, in Beilun District, Ningbo, the local government sponsored the formation of an expert team comprising experts from local third-party organizations with market-leading technologies, such as Zhejiang Environmental Protection Science Design & Research Institute, Environmental Science Research & Design Institute of Ningbo, and Zhejiang Renan Huankeyuan Co., Ltd. The expert team leads visits to all the mills in Beilin District and provides businesses with practical advice and technical support on environmental protection to help address real difficulties discovered during the field surveys.

Wang Wei firmly supports this approach, and believes that such government-sponsored measures are very effective in helping businesses to grow fast by providing them with financial and technological assistance. It not only helps improve companies’ environmental management, but also sets a good example by creating a virtuous circle of stakeholders to work together in the environmental protection industry.

Wang Wei firmly believes in the significant role of stakeholder engagement, and involvement in facilitating the sustainable development of the community. In an effort to manage stakeholder advice, complaints, and needs more effectively and guarantee barrier-free communication, APP-China makes constant revisions to its Regulations for Management of Complainants and Disputes, requiring employees to respect vulnerable groups and prioritize stakeholder interests when handling complaints and disputes, so as to safeguard the civic and traditional rights of stakeholders.

On the production front, the environmental performance of the pulp mills and paper mills under APP-China is often a matter of great concern to the neighboring community. The mills make a consistent effort at pollution treatment for improved environmental performance. At the same time, they attach great importance to engaging in transparent communication with local residents about the environmental issues. In an earnest attempt to promote environmental protection through sound collaboration with local community, they would invite the residents from time to time to visit the mills and stay open to their supervision and suggestions.

The sustained development of a company depends on respect for the community where it operates, and more importantly the understanding and support from the community. In 2017, APP-China Forestry put into effect the Regulations for Community Communication Management based on FPIC (Free, Prior and Informed Consent) principles. The document specified division of responsibility at all the forestry farms and departments, stipulated a detailed communication mechanism and regular monitoring and assessment mechanism, and offered instructions for communication. It further standardized the channels and means for community engagement for all the business units and sub-business units under APP-China Forestry, and played a positive role in pushing toward harmonious community construction and harmonious forestry.

Besides their role in promoting environmental protection, APP-China also realizes that they have a crucial role in ensuring the sustainable development of the industry. They have always worked in close cooperation with stakeholders to identify key success factors for improving its absolute performance in the industry. They also work with local governments to make it easier for stakeholders to participate in the decision-making process of the industry. As a result, the company is playing a significant role in promoting environmental protection and managing sustainability throughout the entire supply chain.
Promoting Education on Sustainable Development

APP-China actively explores ways to give back to the community by leveraging its strengths, and has organized a series of cultural activities for students. Acclaimed as a “Garden Factory,” Gold East Paper hosted over 1,000 individual visitors in 2017 from higher education institutions including Nanjing Forestry University, Jiangsu University, Jiangsu University of Science and Technology, and some Swedish universities.

Helping Realize Dreams

APP-China kicked off the “Dream Plan” Outstanding Talents Joint Training Program in Guangxi and Jiangsu, where the Company works in partnership with local schools to provide students from poor families with needed help. APP-China supports students from remote mountainous areas and poverty-stricken families by paying tuition, providing monthly allowance. Besides taking lectures in school, the students will also be invited to visit APP-China’s mills on a regular basis and offered employment opportunities upon graduation.

Ningbo Asia Organizing Summer Vacation Practice for Students

Ningbo Asia has been organizing summer vacation practice events for students for over 10 years, with a view to equipping them with knowledge. The 2017 event was carried out as scheduled, and very well received.

Organized children to watch the animated fantasy film Spirited Away to convey to them such valuable qualities as caring for nature, diligence, and bravery found in the innocent world Miyazaki Hayao depicts.

Showed children to the Beilun Ecological and Environmental Protection Education Museum, where they learned about the ecology and environmental protection at a close range by watching films, learning on the e-screens, and touching the models and equipment themselves, etc.

Designed a class on how to make solar powered fans and automobiles, allowing the students to have great fun from the process of assembling parts and stimulating their interest in clean energy.

Ningbo Asia has organized summer vacation practice events for students over the years to equip them with knowledge. This year, the event was conducted as scheduled and received positive feedback.

Organized children to view the animated fantasy film Spirited Away, which teaches valuable lessons such as respecting nature, diligence, and courage, as depicted by Miyazaki Hayao.

Children visited the Beilun Ecological and Environmental Protection Education Museum, where they learned about ecology and environmental protection through films, e-screens, and hands-on interaction with models and equipment.

A class was designed for children to make solar-powered fans and automobiles, offering them fun and stimulating their interest in clean energy.

Volunteer Tree Planting Makes the Earth Greener

Implementing the idea of “You use paper, we plant trees,” the mills under APP-China invited different stakeholder groups to participate in a rich variety of tree planting activities. Together, APP-China employees and community residents contributed to the construction of a greener society and ecological civilization.

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Gave the novel lecture to students at Qijian Central Kindergarten and Weidu Primary School to help them learn more about papermaking history and the reuse of wastepaper.
Fostering Public Spirit to Help the Community Thrive

Since its entry into China in 1992, APP-China has remained public-spirited and encouraged its employees to do volunteer work for the community. The Company strives to be a responsible corporate citizen, and gives back to society by contributing to a wide range of areas such as disaster relief, helping the needy, education for the elderly and kids, and civil construction, etc.

Mr. Huang Jiesheng, grandson of Mr. Huang Yicong (Eka Tjipta Widjaja), the founder of the Sinar Mas Group, and his wife Ms. Yu Heng started the Huang Yicong Foundation in 2006. During the 11 years since its inception, the Foundation has established a quite complete public benefit strategy and management system, highlighting work in areas including poverty alleviation, public benefit platform construction, and community development facilitation, etc.

Helping the Poor and the Needy

APP-China and the Huang Yicong Foundation are committed to promoting the development of education in remote areas and the countryside and strongly supporting vulnerable groups. In 2017, the Foundation organized various activities such as "Yicong Scholarships," "Yicong Capacity Building Summer Camp," "Paired Financing," "Little Sun Children's Classes," and "APP Lighting up Dreams."

Has been successively set up in eight high schools in Guangxi and Gansu since 2011. RMB452,000 in scholarships for 135 high-achieving high school students were distributed in 2017, and a total of 321 students in seven provinces received awards. For the 2017-2018 scholarship, the Foundation donated RMB8,000 to a student born with hearing impairment and bought him a laptop and voice-to-text system to facilitate his study.

The Huang Yicong Foundation has been working with employees from APP-China (Shanghai) to pair with and provide financing for schools in Dingxi and Huining, Gansu since 2012. Employees support primary and secondary school students from poor families through monthly donation, and the Foundation allocates funds to help improve school facilities. Total donations exceeded RMB1.8 million as of the end of 2017.

Set up children's classes in Ximeng County and Fu’ning County, Yunnan by renovating abandoned or idle houses. The classes enroll children of mixed ages and provide both traditional and experience-based lectures for children aged between 3 and 6 in both Mandarin and dialects of local ethnic groups. Moreover, parents are involved in class management in the capacity of a Parents Committee. The Foundation currently runs 34 classes that enroll a total of 620 students.
Building a Public Benefit Platform

To involve more young people in public benefit causes is an important objective for APP-China and the Huang Yicong Foundation. To this end, APP-China is actively engaged in building public benefit platforms, and has implemented various programs for years, such as the “APP Youth Public Benefit Internship,” “College Student Society Public Benefit Activities,” “Participating in Community Construction,” and “Gold East Paper Actively Involved in Volunteer Activities,” to encourage young people to play a more salient role in public benefit.

College Student Society Public Benefit Activities: Seeing the Power of Young People

The “College Student Society Public Benefit Activities” jointly hosted by APP-China and the Huang Yicong Foundation provided funding for student societies in 14 colleges in 2017 to support their activities in volunteer teaching, TCM (traditional Chinese medicine) diagnosis and treatment of NTDs, cultural inheritance of ethnic groups, training of countryside teachers, and other areas. In October 2017, some societies that had received funding got together to reflect on and share their work and achievements during the summer vacation practice. Experts from the public benefit area were also invited to offer advice on the management and operation of student societies.

In the past seven years, 42 student societies have received direct funding from the Foundation, with over 600 student volunteers directly involved and over 2,000 people directly benefited. The program has effected real changes in the communities it supports.

Looking into the Future Together

On July 18-31, 2017, APP-China and the Huang Yicong Foundation hosted the 2nd “Youth Capacity Building Summer Camp” in Shanghai. The 15 camp members came from seven high schools, and had been picked out based on rounds of assessment including written application, video interview, and face-to-face communication. They hardly had the opportunity to set foot outside their homes before the summer camp.

The theme for the 2017 summer camp was “Looking into the Future.” In an effort to help the camp members grow into more forward-looking, innovative, and courageous future leaders, the camp designed a series of classroom lectures and visit & exchange activities. Classroom lectures covered such diversified training as brainstorming, communication with foreign teachers, drama experience, outdoor bonding, and market research. Visit & exchange activities took the students to famous universities, recognized enterprises and media, and also promoted interaction with their peers.

The two-week summer camp went by quickly, but implanted seeds in the members’ hearts for hope and responsibility that will quickly, but implanted seeds in the members’ hearts for hope and responsibility that will facilitate the creation of a green space.

Participating in Community Construction

The Huang Yicong Foundation has been supporting the Shanghai Sanlin LOHAS Homeland community program since 2008. Every year, the Foundation introduces new ideas to its partnership with the LOHAS Public Service Center, and designs community activities by closely following social events. By integrating popular concepts such as green planting, organic ecology, and community environment protection, they organized activities under the theme of “Green Space” in 2017. This notably enhanced family engagement and inspired wider involvement in local environmental management, thus facilitating the creation of a green space.

Additionally, the Foundation donated RMB500,000 for the “Qiaozi Project – Lightening up New Life for Herdsmen in Tibetan Area” project initiated by the Overseas Chinese Affairs Office of the State Council. The Foundation donated portable solar-powered televisions to farmer and herdsmen families in the three Tibetan Autonomous Prefectures of Kailu, Guoluo, and Huangnan in Qinghai. These televisions, solar-powered and easy to carry on, had the opportunity to set foot outside their homes before the summer camp.

Gold East Paper Actively Involved in Volunteer Activities

Gold East Paper started implementing the Regulations on Management of Employee Volunteer Activities in 2008, providing pre-service training and constantly pushing towards more institutionalized services. In 2017, the Company carried out volunteer activities such as assisting poor students, and took an active part in events such as the 1st Zhanjiang New Area Volunteer Public Welfare Cultural Festival.

As of the end of 2017, participation in volunteer activities had amounted to 4,748 person times and blood was donated by 910 persons. The company was presented with the “Zhanjiang Charity Award” and recognized as the “Best Charitable Volunteer Team” and “Best Support Unit for Charitable Volunteer Service Organization.”

Hainan Jinhai Pulp & Paper Contribution to Education

Provided funding for 23 outstanding university students from across the country to support their participation in volunteer teaching in countryside areas in Yingshang and Danzhou in an effort to help improve the basic education there.

Set up the “APP Scholarship” at QingDao Normal University and Yingshang Vocational High School in Hunan, which awarded 225 students in 2017. The partnership with QingDao Normal University goes back to 2010, and has accumulated 880,000 yuan in support of 880 high-achieving students.

Has responded actively to the call of Yingshang Social Development Bureau and Communist Youth League Yingshang Working Committee for paired financing initiatives since 2015. Provided financing for 25 poverty-stricken students in Yingshang to help them finish school.
GRI Report

This is the eleventh Sustainability Report issued by Sinar Mas Paper (China) Investment Co., Ltd. and the group of companies under its direct investment in China (hereafter referred as “APP-China”). The report is released in both Chinese and English versions. The Chinese version of the official version while the English version is a translation of the official Chinese version.

Reporting Boundary and Scope

The time span of this report is from January 1, 2017 to December 31, 2017, while some data reflected our work in 2018 due to the ongoing nature of our relevant work. We report annually on our sustainability performance. Our last Sustainability Report was published in November 2017. Unless otherwise specified, the cases and data in the report are all from APP-China Head Office, its forestry and paper mills, and APP-China Forestry:

- APP-China Head Office
  - Gold East Paper (Suzhou) Co., Limited (Gold East Paper)
  - Hainan Jinhui Pulp & Paper Co., Limited (Hainan Jinhui Pulp & Paper)
- Guanqiu Jingpu Pulp & Paper Co., Limited (Guanqiu Jingpu 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 Mill 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 Headquarters, Hainan, Guanqiu and Guangdong BUs, and Lancang, Guanshu, Wenshan and Huanan Sub-BSUs)

Reporting Reference

This report was prepared in accordance with the core options of the GRI Standards issued by the Global Commission on Sustainable Development Standards (GSSB). In addition, the report also refers to the Global Compact Ten Principles and relevant industry clean production and emissions standards. The disclosure of indicators can be found in the Report Indexes section of this report.

Content and Indicator Selection

This was prepared in accordance with the GRI principles of materiality, stakeholder inclusiveness, sustainability context, and completeness. During the preliminary work of the report, APP-Chinese conducted policy analysis, industry issues analysis, stakeholder surveys, and field visits to its Head Office, pulp and paper mills, and forestry BUs so as to better understand and collect the management approaches, specific practices and performance indicator of its most relevant sustainability issues.

Report Assurance

APP-China commissioned 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.

Company Profile

Since its entry into China in 1992, APP-China has been investing heavily in the Yangtze and Pearl River Deltas, establishing a number of large state-of-the-art pulp and paper companies including Gold East Paper, Ningbo Zhonghua, Ningbo Asia, Gold Huasheng, Suzhou Gold Hongye, Hainan Jinhui Pulp & Paper, and Guanqiu Jingpu Pulp & Paper, etc., and planting vast areas of modern fast-growing forests. Among them, Gold East Paper is one of the largest art paper producers in the world. Ningbo Zhonghua and Ningbo Asia are two of the largest industrial paper manufacturers in China. Gold Huasheng is one of the largest suppliers of diversified specialty paper in China. Suzhou Gold Hongye is one of the largest household paper manufacturers in China and in Asia. Hainan Jinhui Pulp & Paper is one of the largest pulp producers in China, and Guanqiu Jingpu Pulp & Paper is China’s largest manufacturer of chemi-mechanical pulp. There were no major changes in our organization or supply chain in 2017.

Sustainability Strategy and Management

APP attaches great importance to its sustainability management and holistically embeds the concept of sustainable development into its strategies and operations. The Company constantly optimizes its operations and management through effective stakeholder engagement, which ensures the aligned development of the Company and its stakeholders economically, socially and environmentally.

As the first enterprise in China to propose the “Integration of Plantation-Pulp-Paper” model, APP-China advocates a circular, green papermaking industry chain with integrated management of the paper industry from its source of forestry operations to pulping, procurement and other operations. In 2015, we established a new top decision-making body based on the existing Chairman General Office, which consists of a number of management committees such as the Safety Health and Environment Committee, the Technology and Quality Assurance Committee, and the Personnel and Administration Committee, etc. It was authorized to make comprehensive decisions on sustainability issues related to our business operations, formulate sustainability management policies and ensure their implementation in our operations.
Sustainability Strategy

In 2012, APP announced the Sustainability Roadmap Vision 2020, which set specific targets for ten key sustainability areas, including climate change, emissions, solid waste, reforestation, water management, conservation and biodiversity, fiber sourcing, employee welfare, community empowerment, and human rights and indigenous peoples. By the end of 2017, 94% of these targets had been achieved or are in steady progress. The only target missed was zero work-related fatalities for employees and contractors. The main challenge was the personnel safety behavior management of our contractors. In 2015, APP launched the Safety Culture Project to reinforce safety management through intensified efforts in safety personnel and safe production process management, real-time accident warning, investigation of accident causes and effective rectification measures, and stronger disciplinary actions against safety violations, etc., thus taking further step towards achieving the target.

With the continuous improvement of its management structure and mechanism, APP-China has gradually clarified the strategic direction of sustainable development in the future, and is in the process of setting a new round of strategic targets for 2040 to 2050 period. We also benchmarked our sustainability strategic directions with the United Nations Sustainable Development Goals (SDGs) and prioritized the high-relevance goals for APP-China. In the future, we will fully integrate the prioritized SDGs into our own sustainability strategic planning so that the Company better aligns its development with the sustainability trends at home and abroad.

We conducted a research on waste paper recycling. For one thing, circular economy is an important part of APP-China’s sustainability strategy. APP-China mills can recycle waste paper, and we believe that efficient waste paper recycling and the effective integration of recycling and reuse is beneficial efforts that will push forward the circular economy. For the other, both the domestic recycling rate of waste paper and proportion of recycled waste paper entering the reproduction chain are very low. Waste paper is used by papermaking companies and left much room for future improvement in waste paper recycling. On the above considerations, we plan to launch a waste paper recycling project in 2018 to further contribute to promoting the green cycle.
Materiality Analysis

Drawing reference to the GRI Standards, the Global Compact Ten Principles, key industry sustainability issues, and China’s 13th Five-Year Plan, we have identified 23 issues that are closely related to the development of the Company. Compared to 2016, the major changes in materiality include the addition of “environmental compliance” and the deletion of “information disclosure”; no significant changes have taken place in issue boundaries.

To address these issues, we conducted online and offline surveys regarding their significance to various stakeholder groups, including management staff, employees, consumers, customers, suppliers/contractors, banks, government agencies, community representatives, industry associations, academic institutions, NGOs, and media. A total of 1,458 valid questionnaires were collected. Based on discussions with both internal and external experts, these issues were prioritized by their materiality and addressed in this report accordingly.
Compliance Management

"Integrity and Commitment" is the moral code of APP-China. It lays the foundation for its corporate culture, and is paramount to the healthy and sustainable development of the Company. We adhere to and continue to strengthen anti-corruption, anti-fraud and other compliance management, and strive to create a clear, self-disciplined, fair and transparent business environment.

Our Code of Ethics and Integrity for Employees provides a sound reference for employee compliance, and all APP-China employees who deal with suppliers are required to abide by it. In late September 2017, we issued the Regulations on the Prohibition of Receiving Gifts and Hospitality for Employees of APP-China and asked employees to report their cases retrospectively starting from September 1, 2017. Within four months, 55 employees reported that they had received gifts, mostly in the form of monochrome coupons, notebooks, and calendars, and returned most of them. During this period, we asked the employees to report via email at first. Then we established a dedicated online reporting platform to further promote integrity and compliance management. In 2017, we conducted 50 business ethics and anti-corruption training for the sales, management, accounting, finance, and procurement departments of the Company headquarters, subsidiaries and branch companies. With a participation of 2,568 person-times, these training events received positive feedback from both the management and the staff. Meanwhile, we published an internal monthly on honesty and integrity for six consecutive months, which focused on providing precaution for possible violations and raising the awareness of honesty and integrity. Besides regular administrative reporting channels, we have also established an independent whistleblowing channel accessible to both internal and external personnel.

Economic Impacts

Economic Performance

We take honesty and compliance management as the foundation for the sustainable development of the Company and deliver continuous innovations in business operations so as to ensure the steady growth of our business and create shared value and positive impact for our stakeholders.

Indirect Economic Impact

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Units</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>RMB100 million</td>
<td>1,493</td>
<td>1,610.32</td>
<td>1,582</td>
</tr>
<tr>
<td>Total sales</td>
<td>RMB100 million</td>
<td>22.46</td>
<td>22.53</td>
<td>26</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>RMB100 million</td>
<td>24.07</td>
<td>24.71</td>
<td>35.53</td>
</tr>
<tr>
<td>Total profit</td>
<td>RMB100 million</td>
<td>21.95</td>
<td>21.09</td>
<td>36</td>
</tr>
<tr>
<td>Net profit</td>
<td>RMB100 million</td>
<td>22</td>
<td>24.19</td>
<td>26</td>
</tr>
<tr>
<td>Donations</td>
<td>RMB1,500</td>
<td>2,510.79</td>
<td>1,226.79</td>
<td>1,860</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Units</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee volunteer service hours</td>
<td></td>
<td>85,022</td>
<td>61,782</td>
<td>26,645</td>
</tr>
<tr>
<td>Donations</td>
<td>RMB1,500</td>
<td>2,510.79</td>
<td>1,226.79</td>
<td>1,860</td>
</tr>
</tbody>
</table>
Procurement Behaviors

In order to promote the sustainable operation of suppliers, APP-China requires all new suppliers to sign the CSR Statement and Commitment form formulated based on relevant domestic and international laws and regulations and the SA8000 Social Responsibility Standards, which lays out specific requirements for suppliers on business ethics, human rights, environmental protection, and intellectual property rights, etc. APP-China also carries out regular evaluations for all suppliers, making a comprehensive assessment as regards their code of conduct and management system, the sustainability of the sources of raw materials, supplier risks, and their operational performance. In 2017, there was no incident of termination of supplier cooperation due to major negative social impact.

Environmental Performance

Timber and pulp are the direct raw materials for the papermaking industry. They affect not only the quality of products, but also the sustainability of the supply chain. We actively implement forest certification to ensure sustainable timber supply from the forests operated by ourselves; we also give priority to certified timber and pulp in procurement to promote the traceability of raw materials.

Through recycling and reuse of packing materials such as wood pallets, our subsidiaries achieved reduced material use, and considerable cost savings at the same time. In 2017, Gold Huasheng recovered 55,230 wood pallets, which represents RMB2.92 million in cost reduction.

Energy

The use of energy is directly related to the volume of greenhouse gas and pollutant emissions in the air. Following the development of the low-carbon economy, we actively improved our energy management system, adjusted the structure of our energy use, and explored energy-saving technologies and solutions. We also plan to incorporate specific quantitative indicators into our sustainability strategic plan based on the specific energy structure of our subsidiaries, and so as to further reduce the use of non-clean energies such as coal and improve energy efficiency.

Reducing Logistic Energy Consumption

We strive to minimize our energy consumption and emissions during transportation and logistics by optimizing the logistics layout, shortening the transportation routes, and changing the storage and transportation methods, etc.

Suzhou Gold Hongye merged the three warehouses in Suzhou and Shanghai into one central warehouse in Suzhou and realized direct distribution in Shanghai, thus effectively reducing the transportation distance. In addition to Suzhou, the direct distribution model has been introduced to Tianjin, Hefei, Fuzhou, and Nanchang, and will be implemented in more regions in the future.

By replacing a certain amount of land transportation from Suzhou to Shanghai with river transportation, Gold Huasheng achieved a reduction of 30 liters of diesel consumption per container shipped, which also helped alleviate local congestions on roads.

Water Use and Sewage Treatment

In recent years, the government has been stepping up efforts to protect the environment and promulgated a number of new environmental policies such as the “Water Ten Plan,” subjecting businesses to an increasingly stringent “ecological red line.” Water is one of the top priorities of APP-China’s sustainability management and our subsidiaries strive to minimize the consumption of clean water through measures such as using reclaimed water and implementing water-saving initiatives. In 2017, we used a total of 118,173,907 tons of water, of which 99.68% came from surface water, 0.19% came from municipal water supply, and 0.12% came from recovered rainwater. Meanwhile, we actively adopted advanced sewage treatment technologies and processes and applied sewage discharge indicators that are well above the national standards. In 2017, there was no occurrence of major water pollution in our subsidiaries.

Emissions

Our paper and pulp mills have their own thermal power plants, whose boiler combustion generates air pollutants such as sulfur dioxide, nitrogen oxides and particulates. We actively responded to the government’s requirements on the control of air pollution and transformation towards ultra-low emission operations, and continuously invested in desulfurization, denitrification, and dust removal transformation efforts to reduce pollution.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water withdrawal</td>
<td>ton</td>
<td>120,477,308</td>
<td>124,417,318</td>
<td>118,173,907</td>
</tr>
<tr>
<td>Total sewage discharge</td>
<td>ton</td>
<td>88,152,504</td>
<td>92,011,946</td>
<td>84,968,795</td>
</tr>
<tr>
<td>Sewage discharge per ton of paper produced</td>
<td>kg</td>
<td>6.74</td>
<td>12.23</td>
<td>6.39</td>
</tr>
<tr>
<td>COD emissions per ton of pulp produced</td>
<td>kg</td>
<td>0.37</td>
<td>0.69</td>
<td>0.24</td>
</tr>
<tr>
<td>CO2 emissions per ton of pulp produced</td>
<td>kg</td>
<td>1.25</td>
<td>1.35</td>
<td>1.98</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual total SO2 emissions</td>
<td>ton</td>
<td>2,266.54</td>
<td>1,962.72</td>
<td>2,022.68</td>
</tr>
<tr>
<td>Annual total NOx emissions</td>
<td>ton</td>
<td>5,177.15</td>
<td>5,276.69</td>
<td>6,883.55</td>
</tr>
</tbody>
</table>

APP-China follows the principle of “Reduce, Reuse and Recycle” and devotes itself to the scientific treatment of general waste and hazardous waste generated in the production process. Ash and slag from boilers were used to make bricks. Sludge from effluents treatment was incinerated to generate power, used in compost, or sold to a qualified third-party for disposal. General waste such as cardboard, timber, plastic, scrap metal, and used woven bags were handled over to qualified recycling or disposal third-party companies with treatment capabilities for disposal. Hazardous wastes such as mineral oil, gases, batteries, chemicals, chemical containers, and catalysts were required to be handled over to qualified treatment companies. We also required that only qualified transportation companies were allowed to handle the shipping of hazardous wastes to prevent the risk of environmental pollution during transportation. In 2017, there was no major environmental incident related to the handling and shipping of hazardous wastes during transportation or operations.

Environmental Compliance

Our affiliated mills continuously monitored their pollutant emitters and took prompt actions to identify and rectify the problems after irregularities were found regarding excessive emissions. In 2017, four fines were issued to our affiliated mills covered in this report, totaling RMB977,400, for emission violations including excessive discharge of odorous gases, smoke and dust, and sewage. All of the mills fined have made rectifications.

The Company has established a comprehensive performance-based remuneration system and regularly adjusts the salary standards by benchmarking with industry averages to ensure that its employees are paid competitive salaries. The Company provides a wide range of employee benefits as required by law, including pension, unemployment insurance, medical insurance, occupational injury insurance, maternity insurance, and housing fund, while offering complementary commercial insurance coverage as well.

Social Performance

Employment

The Company strictly abides by the Labor Law, Contract Law, Trade Union Law, Collector Contract Provisions, and other national laws and regulations, carries out equal consultation with employees, and signs labor contracts with all employees in accordance with the requirements of the laws. The Company ensures equal pay for equal work and strictly forbids all forms of child labor, and forced or compulsory labor. Gold East Paper, Ningbo Zhonghua, Ningbo Asia, Gold Huasheng, and Gold Hongye have signed collective contracts with the employees, with 100% employees covered by collective bargaining agreement.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sludge generated</td>
<td>ton</td>
<td>701,028.73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sludge recycled</td>
<td>ton</td>
<td>319,112.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sludge disposed of</td>
<td>ton</td>
<td>462,716.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ash generated</td>
<td>ton</td>
<td>513,254.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ash recycled</td>
<td>ton</td>
<td>322,004.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ash disposed of</td>
<td>ton</td>
<td>289,249.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slag generated</td>
<td>ton</td>
<td>154,769.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slag recycled</td>
<td>ton</td>
<td>160,274.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slag disposed of</td>
<td>ton</td>
<td>44,486.68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other general wastes generated</td>
<td>ton</td>
<td>85,483.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other general wastes recycled</td>
<td>ton</td>
<td>32,009.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other general wastes disposed of</td>
<td>ton</td>
<td>53,455.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazardous wastes generated</td>
<td>ton</td>
<td>1,032.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazardous wastes disposed of</td>
<td>ton</td>
<td>914.78</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Employee retention after maternity/paternity leave

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of female employees who took maternity leave</td>
<td></td>
<td></td>
<td></td>
<td>634</td>
</tr>
<tr>
<td>Number of female employees who returned to work after maternity leave</td>
<td></td>
<td></td>
<td></td>
<td>560</td>
</tr>
<tr>
<td>Number of female employees who resigned after maternity leave</td>
<td></td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Number of male employees who took paternity leave</td>
<td></td>
<td></td>
<td></td>
<td>981</td>
</tr>
<tr>
<td>Number of male employees who returned to work after paternity leave</td>
<td></td>
<td></td>
<td></td>
<td>943</td>
</tr>
<tr>
<td>Number of male employees who resigned after paternity leave</td>
<td></td>
<td></td>
<td></td>
<td>31</td>
</tr>
</tbody>
</table>

Employee Structure

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of senior management staff</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of middle management staff</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of grassroots employees</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Occupational Health and Safety

In order to prevent, control and eliminate occupational hazards, APP-China pays close attention to employees’ health and rights, and strictly abides by the Occupational Disease Prevention Law, the Regulations on Occupational Health Supervision and Management in Workplaces, and other relevant laws and regulations. The main health hazards of the papermaking industry include noise, dust, and high temperature, etc. We monitor these occupational hazards in real time and continue to invest heavily in protective gears and safety training. Besides pre-service, on-service, and post-service physical examinations for all employees, we also offer free occupational disease examinations for employees exposed to occupational diseases and reassign those prone to occupational diseases to posts involving lower health risks. In 2017, we provided a total of 216,795.5 hours of safety training to our employees. There were 79 work-related injuries and one work-related fatality.

We respect and safeguard the legitimate rights and interests of our employees and forbid any form of discriminatory provisions against fair employment, such as gender, ethnicity, marital status, religion, and hepatitis B virus, etc., fostering a fair workplace that guarantees equal development opportunities for all employees.

### Employee Training

APP-China provides a variety of career development training for employees to facilitate their career growth. In 2017, we officially launched the post-based technical management / 326 374 528

### Diversity and Equal Opportunity

We respect and safeguard the legitimate rights and interests of our employees and forbid any form of discriminatory provisions against fair employment, such as gender, ethnicity, marital status, religion, and hepatitis B virus, etc., fostering a fair workplace that guarantees equal development opportunities for all employees.

### Product Responsibility

**Customer Relationship Management**

"Customer focus" is a basic principle that APP-China always adheres to. In 2017, APP-China mills conducted customer satisfaction surveys to fully understand their overall evaluation of our paper products, services, and logistics, and developed optimization schemes based on customer feedback to enhance the quality of our products and services. We take customer complaints very seriously and continually optimize our customer complaint processing procedures to deliver efficient and professional customer service.

In 2017, Guanshi Jingui Pulp & Paper further improved its operational process for handling customer complaints on paper transportation and product quality. Harian Gold Shengpu has listed product quality as one of its key performance indicators, and implements improvement plans based on regular analyses of customer complaint rate and causes. Harian Jinshu Pulp & Paper has set up a team to facilitate the communication between department managers and customers nationwide, and provides technical support to solve customer troubles more effectively.

### Technology and Product Innovation

We continually strengthen innovation efforts to meet the growing demand for paper products in terms of both variety and quality. Effective management of patents and intellectual property rights has been essential to our technology and product innovation. To better protect the interests of the Company and encourage employee innovation, we issued the Group Intellectual Property Management Measures in 2017. From 2015 to 2017, we have cumulatively obtained 377 patents, of which 283 are invention patents, 54 are utility model patents, and 62 are design patents.

In 2017, Guangxi Jingui Pulp & Paper further improved its operational process for handling customer complaints on paper transportation and product quality. Harian Gold Shengpu has listed product quality as one of its key performance indicators, and implements improvement plans based on regular analyses of customer complaint rate and causes. Harian Jinshu Pulp & Paper has set up a team to facilitate the communication between department managers and customers nationwide, and provides technical support to solve customer troubles more effectively.

### Graphene Changing the World

Ningbo Asia and the Ningbo Institute of Industrial Technology, CAS, jointly applied for the Ningbo Graphene Project, aiming at developing a new multi-functional water-based graphene nano-coating material for high-grade packaging. The new material was expected to help improve the printing performance, grease-proof performance, antibacterial performance, and antistatic performance of cardboards. The joint research and development efforts have tested the application of graphene in papermaking. The technology has been patented in China and a similar approach is applicable for the application of new materials such as graphene in the transformation of traditional industries.
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 2017

NATURE AND SCOPE OF THE ASSURANCE

SGS-CSTC Standards Technical Services Co., Ltd. Shanghai Branch was commissioned by Sinar Mas Paper (China) Investment Co., Ltd. (hereafter as “APP-China”) to conduct an independent assurance of the 2017 SUSTAINABILITY REPORT (2017 CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, including the text and data in accompanying tables, contained in the 2017 CSR Report. Assurance data and information are including APP-China Head Office, Gold Hengye Paper Group Co., Ltd, Gold Huaxi Yang Paper (Shaoxing Industrial Park) Co., Ltd., Gold Baai Paper (Jiangsu) Co., Ltd., Guangxi Jingdong PulP & Paper Co., Ltd., Ningbo Asia PulP & Paper Co., Ltd., APP-China Forestry Business Headquarters and Harbin Business Unit, which were on-site assurance, as well as, Ningbo Zhonghua Paper Co., Ltd., Harbin Asia PulP & Paper Co., Ltd., Harbin Gold Hengye Paper Co., Ltd., Harbin Gold Shengguo Paper Co., Ltd., Guangxi and Guangdong Business Unit, and Lanxiang Gangan, Weishan, and Harbin 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 2017 CSR Report of APP-China and its presentation are the responsibility of the directors and the management of APP-China. SGS has not been involved in the preparation of any of the material included in the 2017 CSR Report.

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

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the GRI STANDARDS for accuracy and reliability and guidance for Assurance Providers.

The report has been assured at a reasonable level of assurance using our protocols for:

- evaluation of content validity;
- evaluation of the report against the GRI STANDARDS.

The assurance comprised a combination of pre-assurance research, on-site verification and 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 CONFIDENCE

SGS is the world’s leading inspection, verification, testing and certification company that operates a network of over 1,960 offices and laboratories around the world, providing the services includes the certification of management systems and services, quality, environmental, social and ethics auditing and training.

environmental, social and sustainability report assurance. 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 CSR Lead Assurer, SAI Registered SA8000 Lead Auditor, CCAA Registered IS 14001 Auditor and CH-SAS 18001 Auditor.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within 2017 CSR Report verified in accurate, reliable and provides a fair and balanced representation of APP-China’s sustainability activities in 2017. The assurance team is of the opinion that the Report can be used by the Reporting Organization’s Stakeholders.

We believe that the organization has chosen an appropriate level of assurance in accordance to all requirements in core option of GRI STANDARDS (2016), and disclosed all of indicators in comprehensive option according to the Standards.

GRI STANDARDS CONCLUSIONS

In our opinion the APP-China CSR Report 2017 is presented in accordance with the core option for GRI STANDARDS (2016) and fulfills all the required content and quality criteria.

Stakeholder Inclusiveness

APP-China establishes a diversified stakeholder dialogue mechanism to ensure the effective engagement of stakeholders in sustainability management, and integrates sustainability behaviors into its decisions and activities. APP-China is focusing on biodiversity, effectively addressing community issues, and optimizing the supplier’s sustainable development management, in order to ensure that the commitment to “APP’s Sustainability Roadmap Vision 2020” is implemented in stages.

Sustainability Context

APP-China considers these factors in terms of data disclosure by analyzing from the economic, environmental and social stakeholders.

Materiality

APP-China continually conducts a stakeholder survey to identify current material aspects, in order to ensure the materiality and comprehensiveness of the concerned issues, which setting as the contents of sustainability report for the year and sustainability activities for the future.

Competences

APP-China uses the social responsibility subjects as framework to disclose relevant information and data, and fully reflects the significant economic, environmental and social impacts.

Balance

APP-China actively discloses its positive and negative performance based on the expectations of stakeholders, and gives stakeholders more objective performance of social responsibility performance.

Comparability

APP-China shows the historical data comparison to demonstrate the trends and forms that help readers well know the improvement of year-to-year performance.
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**Accuracy**
APP-China’s reporting mechanism is objective and complete, which can disclose more information to stakeholders and reveal that the concept of social responsibility management is consistent with the expectations of stakeholders.

**Timeliness**
The data APP-China disclosed are in the reporting cycle, and the stakeholders can obtain information to make a reasonable decision in a timely manner.

**Clarity**
The report is clear and can be understood by stakeholders who have a reasonable understanding of APP-China and its industry. APP-China is taking into account the utilization and type of information, and using a number of descriptions, charts and pictures and other forms while disclosure of information.

**Reliability**
The data and information can be traced and verified by internal control, recording, compiling, analyzing and disclosing to ensure the quality and reliability of information. In addition, an independent external organization also provides the reliability of the report.

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

Ben Tsang
Director, China and Hong Kong
Certification and Business Enhancement
8 October, 2018
Sh-1,F, No.500, Yuhuan Road, Xuhui District, Shanghai, P. R. China
WWW: www.sgs.com.cn

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Dear Readers,

Thank you very much for sparing the time to read the APP-China 2017 Sustainable Development Report. We sincerely invite you to share with us your valuable comments and suggestions on this report, which will help us make improvement.

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Please select which stakeholder group you belong to.

☐ Employees  ☐ Customers and consumers  ☐ Suppliers/Contractors  ☐ Banks  ☐ Government agencies
☐ Community representatives  ☐ Industry associations  ☐ Academic institutions  ☐ NGOs  ☐ Media

Please rate the following questions on a scale of 1 to 5 (1 being the lowest and 5 being the highest).

1. Your overall opinion of the APP-China 2017 Sustainable Development Report

2. Your assessment of the completeness of the information in this report.

3. Your comments on the layout, design, and story-telling of this report.

4. Your comments on our stakeholder engagement.

5. Would you agree that this report reflects the significant economic, social and environmental impacts of APP-China?

6. Your opinion on the credibility of the report.

You can send us your comments by mail, e-mail, or fax, or call us directly. We will give full consideration to your comments and suggestions.

APP-China Report Team
October 2018
金光纸业（中国）投资有限公司
Sinar Mas Paper (China) Investment Co., Ltd

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