

# APP-CHINA

## SUSTAINABILITY REPORT

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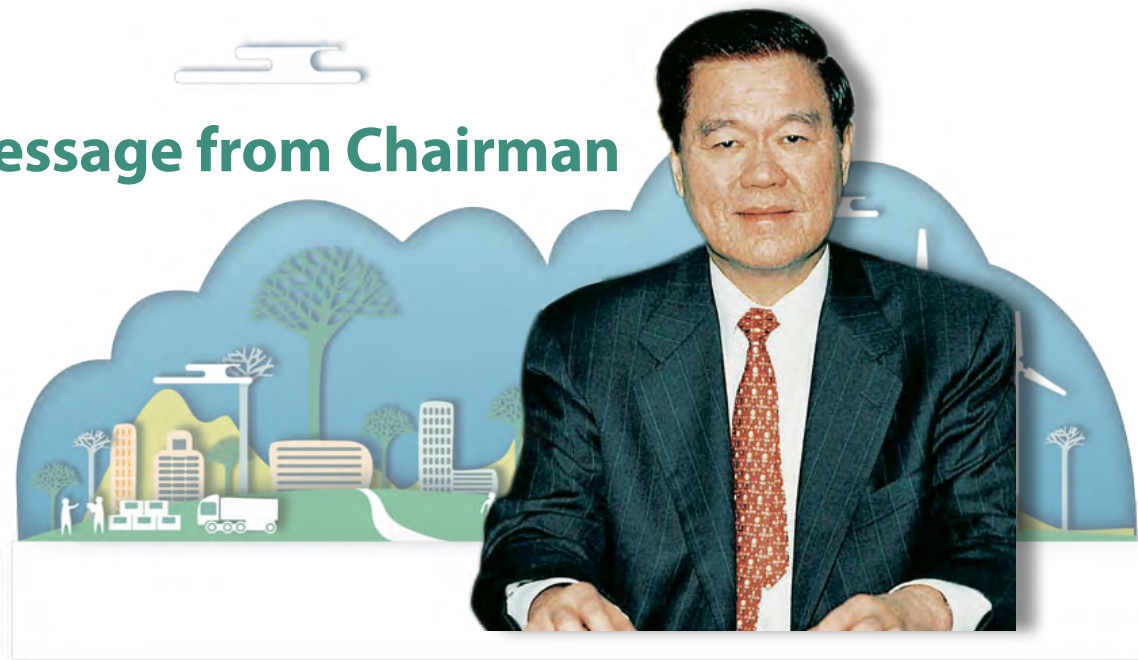


**APP-CHINA**

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## Message from Chairman



Last September, APP was invited to the United Nation's Climate Summit by his Excellency Ban Ki-moon, the Secretary General of UN, as an honored guest and one of the selected few industry representatives. Together with global industry leaders, government representatives, APP endorsed the New York Declaration on Forests, which set the ambitious goal to protect global forests and fight against climate change with concerted efforts.

As the global leader of paper manufacturers, APP has been committed to the strategy of sustainable development, and setting benchmarks for modern green paper manufacturers. It is our firm belief that the most effective way to fight against global climate change and forest loss is by assuming a leadership role, setting good examples, and working closely with government agencies, NGOs and all stakeholders.

In 2014, APP-China has made substantial progress switching to clean energy sources and cutting back waste gas emissions. We have invested over 2 billion yuan, and kicked off the largest photovoltaic power generation project in the industry. The innovative system will be able to supply 200 million kWh annually upon completion, and in turn reduce carbon dioxide emission

by over 300,000 tons, and sulfur dioxide emission by 17,000 tons per year. Part of our facilities are already benefiting from the completed portion of the project. Manufacturing facilities under the APP group including Gold East Paper, and Gold Huasheng Paper, whose emission levels have already beaten the national standards in the first place, have completed their desulfurization and denitrification projects and further reduced emission levels. We hope that these pioneer projects will accumulate valuable experience for everyone and encourage our business partners to follow suit.

To put our words into action, APP-China has established a dedicated Sustainable Development Committee responsible for leveraging both internal and external resources to implement our corporate strategy of sustainable development, tackling the challenges at this time of industrial and economic transformation in China, and minimizing risks that may hinder our sustainable development process.

As a priority of the Committee in 2014, we have made great efforts improving our communications both in depth and scope with all stakeholders. We have driven a variety of initiatives including a dedicated communication platform established to

strengthen our communication channels with all concerned parties in the ecological system restoration project for our Hainan plantations, the Forum on Searching for the New Engine for the paper industry held in Ningbo, and our special task force in Beijing collecting advice and comments from industry experts on APP's disclosure of sustainable development progress. All the communication efforts have helped to clarify what the stakeholders expect of us from a more professional and independent perspective and in turn provide guidance for us to march down the path of sustainable development.

The Chinese economy in general and especially traditional industries here are facing tremendous pressure right now. We need the full support and understanding of all stakeholders to achieve sustainable development under this situation. We look forward to working with all of you closely to embrace the new normal of a green and harmonious future.

**Teguh Ganda Wijaya**

Chairman and CEO

## About This Report

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

The report discloses and responds to key stakeholder concerns by identifying and analyzing material issues. This report is prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

### Language

Chinese and English; if anything differs, the Chinese shall prevail;

### Period

January 1, 2014 - December 31, 2014;

### Frequency

Annual report. Last report was published in November, 2014;

### Assurance

APP-China has 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.

### Indicator Selection:

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

- Stakeholder engagement
- Analyses of the most relevant and important sustainable development issues
- Continuity with previous reports

APP-China conducts a stakeholder survey to confirm the perceptions, expectations and recommendations of APP-China's key stakeholders. Combining quantitative and qualitative analysis, APP-China facilitates comprehensive scrutiny and evaluation of stakeholder concerns and communication channels, which ultimately aim to improve stakeholder engagement and cooperation. Compared with the 2012-2013 report, this survey focuses on materiality and completeness, expands stakeholder engagement channels, uses separate surveys for the executives of the company, and refines the questionnaire with reference to GRI (G4) standards with expanded coverage of various issues under GRI (G4). Please refer to Section "Stakeholder Engagement".

### Scope of Report

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

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

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

### Data and Information Collection

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

### Methodology for Data and Information Collection

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

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

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# Corporate Profile



APP-China is synonymous with Sinar Mas Paper (China) Investment Co., Limited and the group of companies under its direct investment in China. APP-China began investing in manufacturing sites in China in 1992 focusing primarily on the Yangtze and Pearl River Deltas. APP-China has established Gold East Paper, Ningbo Zhonghua, Ningbo Asia, Gold Huasheng, Gold Hongye, Hainan Jinhai Pulp & Paper and Guangxi Jingui Pulp & Paper with state-of-the-art technology and equipment and modern fast-growing, large-scale plantations. Gold East Paper is the largest paper mill in

China and the world's largest art paper producer, while Ningbo Zhonghua and Ningbo Asia are two of the largest industrial paper producers in China today. Gold Huasheng is one of China's biggest diversified fine paper producers. Similarly, when it comes to tissue, Gold Hongye is one of the largest household paper makers in China and Asia. Hainan Jinhai Pulp & Paper is one of the largest pulp producers in China. Guangxi Jingui Pulp & Paper is the largest Chemical Mechanical Pulp producer in China.

By the end of 2014, APP-China owned over 20 pulp and paper mills as wholly owned subsidiaries and holding companies and 19 forestry companies, with total assets valued at about RMB147.17 billion. Total annual production volume of its mills reached 11 million tons, with sales revenues of RMB42.2 billion and approximately 33,000 full time employees.

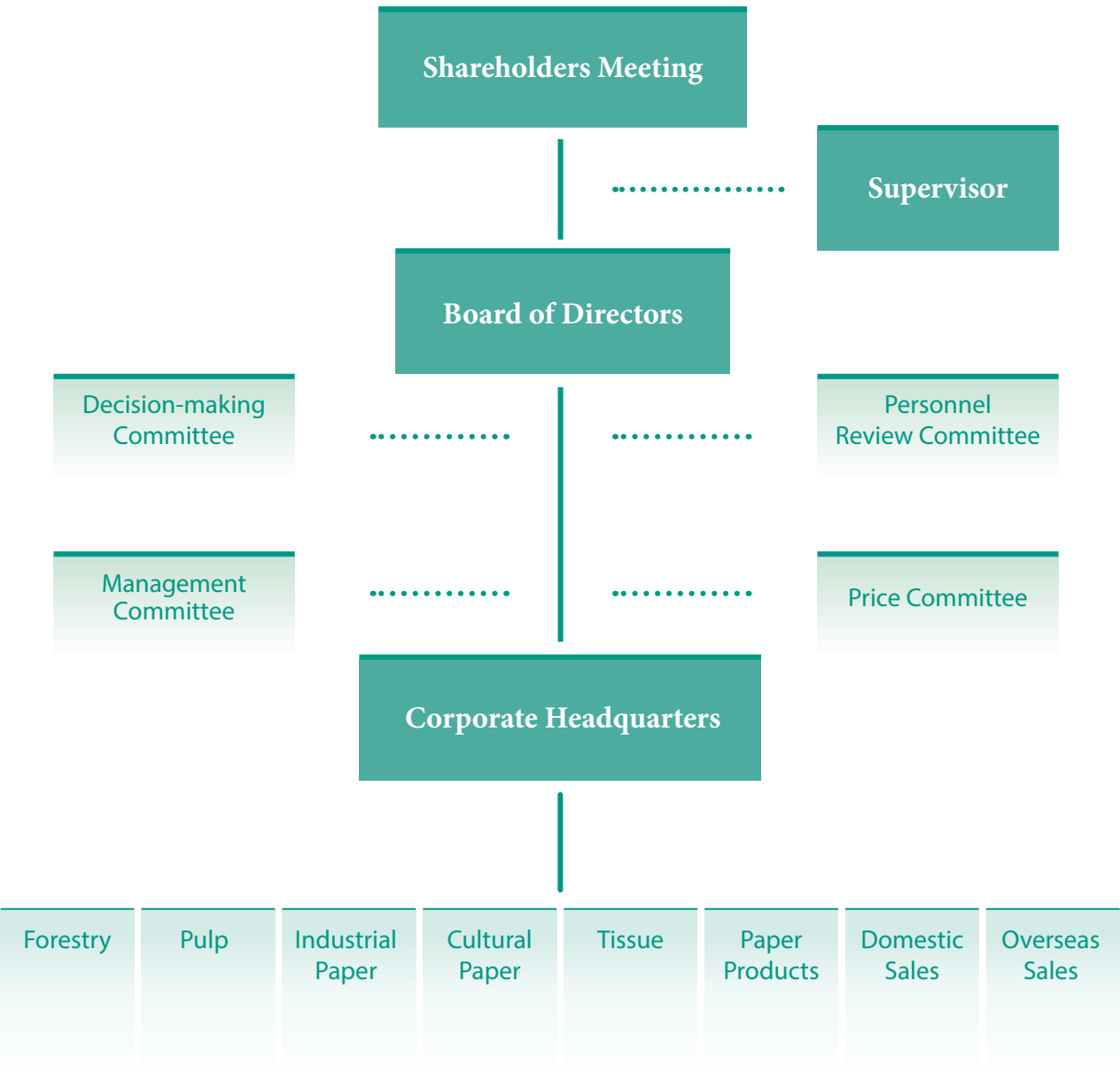
Total assets valued by the end of 2014

RMB **42.2** billion

Total assets of about

RMB **147.17** billion

# Organizational Structure

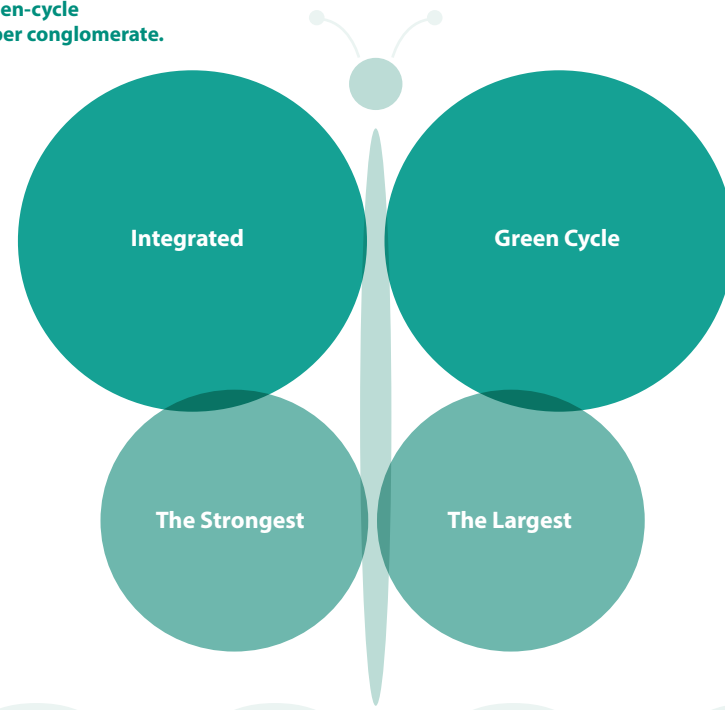


## Our Vision

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

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

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



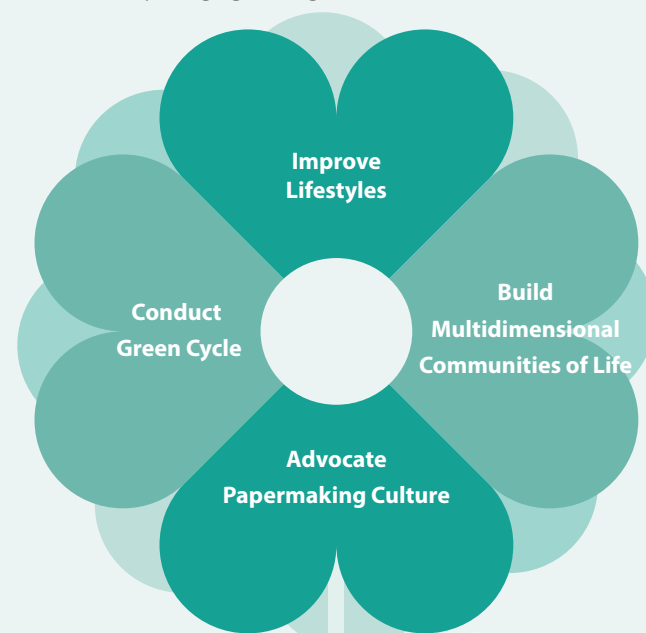
To take care of the large cycle from plantation to pulp and paper making, as well as the small cycle of using recycled paper for production.

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

## Our Mission

Satisfy mankind's needs in printing, packaging, writing, sanitation, etc.

Promote afforestation to naturally increase forests in the environment, enhance water and soil conservation, alleviate greenhouse effects and benefit nature.



Promote the sustained manufacturing of pulp and paper to preserve this ancient Chinese tradition.

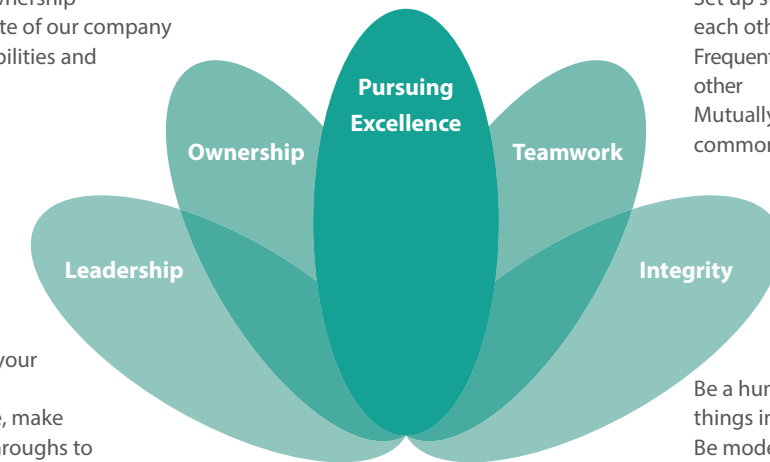
Abide by environmental protection standards, create decent work environment, and enhance meaning of life. Provide customers high quality products and services to increase their competitiveness and profitability to achieve win-win. Empower employees, excite their potential and encourage innovation to accelerate high-tech development. Enhance company's profitability to increase shareholders' benefits. Complement with peer companies in industry core competence to promote the industry competitiveness.

## Our Values

Keep pushing the limits and challenging ourselves  
Continuously improve and strive for the best  
Choosing best of best, be quick and precise

Promote the sense of ownership  
Be responsible for the fate of our company  
Proactively show your abilities and wisdom during work

Set a good example for your subordinates  
Be active and aggressive, make innovations and breakthroughs to create maximum value  
Motivate your subordinates and to reach their potential



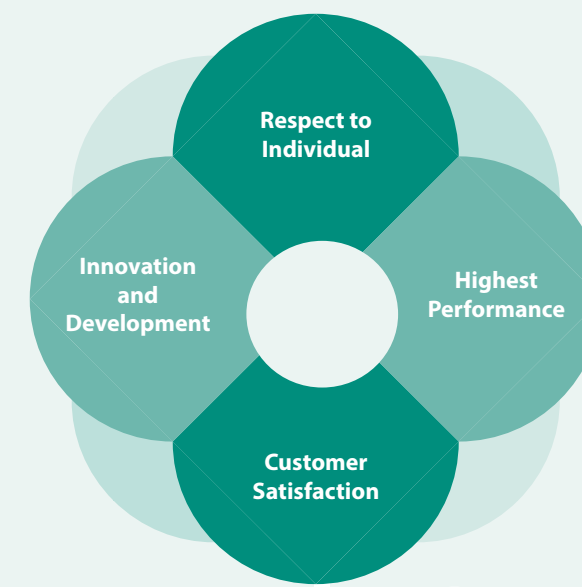
Set up study models and motivate each other  
Frequent communication, help each other  
Mutually respect each other and make common progress

Be a humble and down to earth do things in earnest  
Be modest and frank, deeds according with words  
Strictly protect company trade secrets

## Management Philosophy

Employees are the most valuable asset of our company  
Offer study and development opportunities, provide a platform for employees to develop their talents.

Make innovations and breakthroughs, adopt advanced science and technologies. Create high value-added products needed by the market.



Reverse thinking, market oriented, set customer satisfaction as our ultimate goal. Continuously develop our business and provide products and services exceeding market prices for customers.

Require all employees to do things correctly in a scientific way. Use the best performance of global leading companies as a benchmark to measure the business results achieved by our employees and teams, and strive to be No.1 in the world.

## Achievements and Honors

APP-China has invested over 935 million RMB in environmental protection in 2014. The total amount of investment has reached 9.335 billion RMB to minimize our impact on the environment.

APP-China is committed to be a good corporate citizen and has made over 35 million RMB of public donations to support projects in environment protection, education and community development in 2014. The total investment reached 680 million RMB.

Gold East Paper has won the "Award for Extraordinary Contributor" from China Charity Federation; "Award for Outstanding Companies Contributing to Developing Standards for Environment Protection" and "Model Company for Application of Green Printing Technologies in China" from China Association for Printing Technologies.

APP-China has won the "Award for Best Practice in Promoting Social Development and Cooperation" from Global Compact Network China in 2014 based on its excellent track record in community involvement and charitable sponsorships.

Mr. Huang Zhiyuan, president of the Group was the proud recipient of the esteemed "Award for Outstanding Contribution to the Development of Modern Paper Industry in Jiangsu Province" by Jiangsu Province Paper Industry Association and Jiangsu Province Technical Association of Paper Industry to commend the positive role and profound impact of APP-China in contributing to the rapid development of the modern paper industry in Jiangsu in the areas of pulp and paper technological advancement, productive construction investment, environmental protection, and industrial structure optimization and transformation.

APP-China was awarded the "Recipient for Outstanding Sustainable Development Case" in the "China Summit for Sustainable Development 2013-2014" sponsored by "The Economic Observer".







# OUR GOVERNANCE

## Sustainable Development Management

Sustainable development is gradually finding its way into our daily operation of the business through our sustainability oriented management system. We encourage all the stakeholders to participate and clarify our objectives in the process. Meanwhile, compliance is our unwavering bottom line. We will continue to optimize our management and operation processes to achieve our objective of sustainable development.

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## APP's "Sustainability Roadmap Vision 2020"



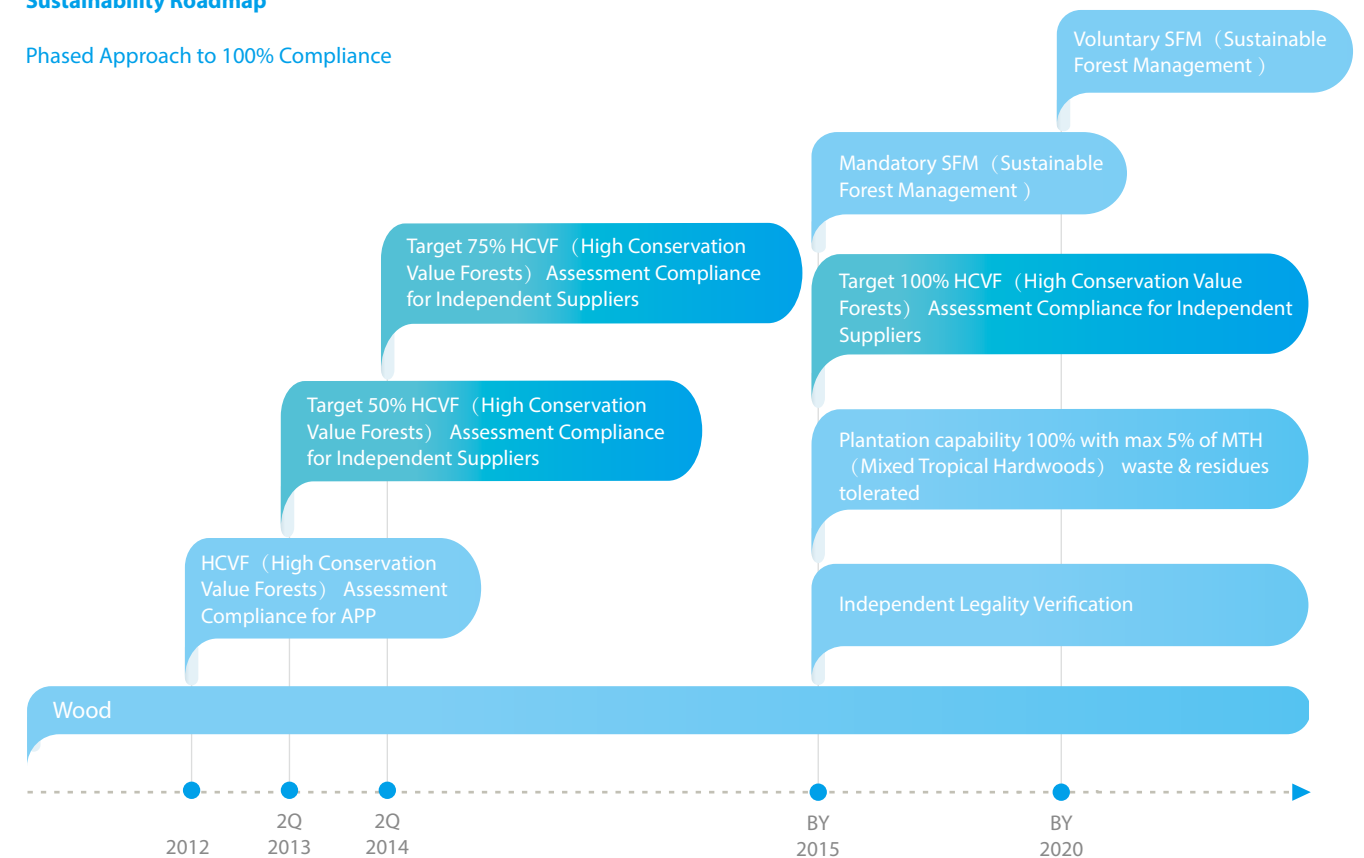
With the core concept of "plantation-pulp-paper", APP-China insists on sustainable management of plantation, implements standards of environmental protection that are stricter than national and industry-wide standards; broaden the scope of clean alternative energy, and improves data transparency, so that we can progress and keep up with the latest and the newest trends.

APP has published a "Sustainability Roadmap Vision 2020" which provides commitments focusing on sustainable development for the next decade in the areas of environment protection, bio-diversity conservation, and community well-being. Progress reports will be published and measured against the stated milestones. APP has published the 6th and the 7th progress reports respectively in May and November of 2014 to demonstrate developments and achievements in the process. APP will continue to promote the execution of work plans and publish timely progress reports.



### Sustainability Roadmap

Phased Approach to 100% Compliance



As an important part of our "Sustainability Roadmap Vision 2020" initiative, APP has announced Forest Conservation Policy (FCP) for our natural forest clearance. In order to ensure that the FCP is fully implemented, in January 2014, the international organization Rainforest Alliance accepted the invitation from APP to perform as an external independent third party to audit the implementation of FCP and publish the findings. By consulting perspectives and suggestions from all stakeholders, the Forest Alliance will determine the assessment criteria. The concession forest in Indonesia will be among the first to be subject to independent third party assessment, followed by contracted forest and the mills in China.

## APP-China's Sustainable Development Management



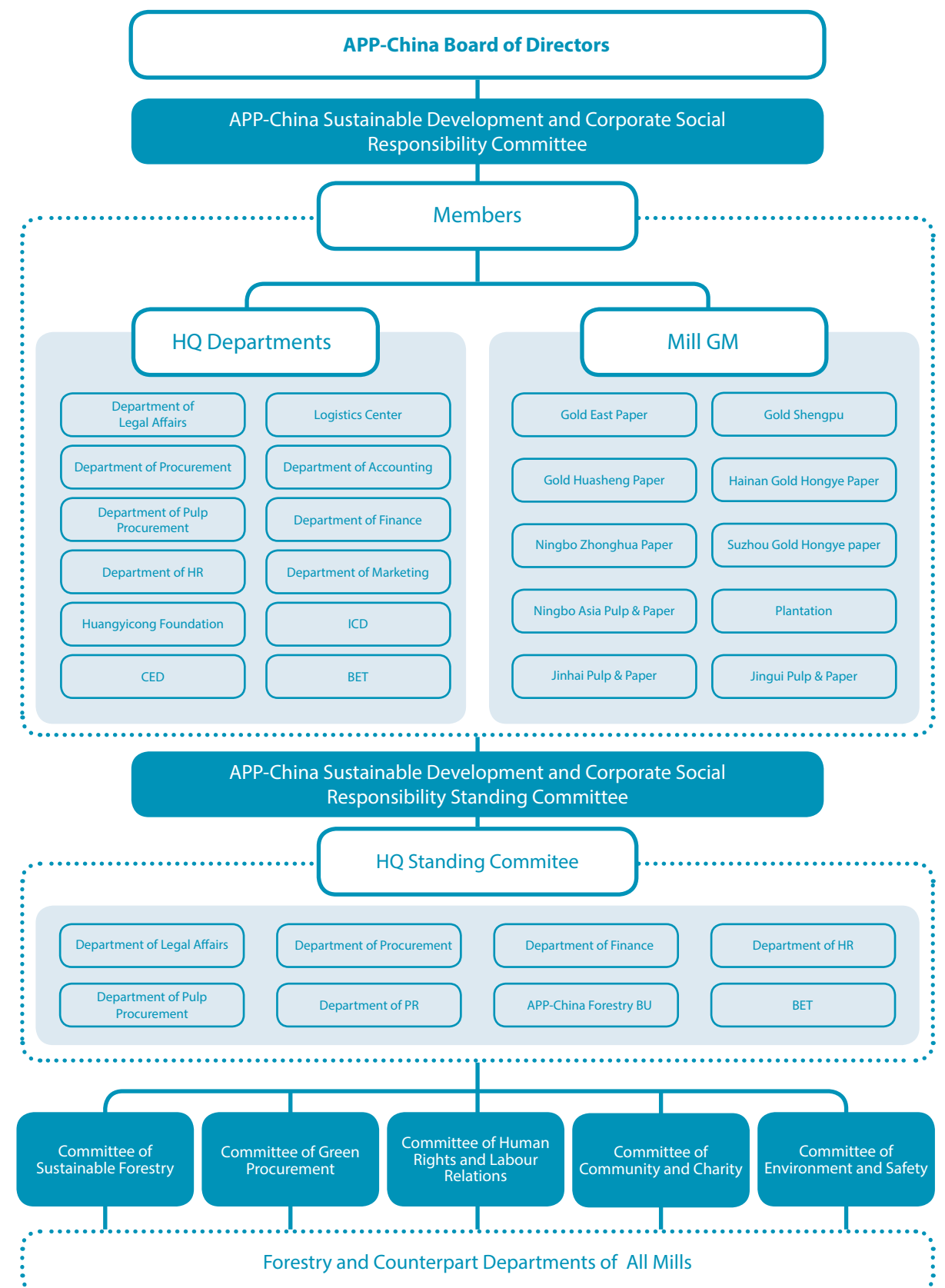
Against the new backdrop of sustainable development, on the one hand, APP-China continues to focus on improving performances on core issues such as forest conservation, environment protection, safety and corporate responsibility, communication channels between different locations and the headquarters through establishing and perfecting an effective performance evaluation system, as well as through monthly, quarterly and annual conferences. On the other hand, APP-China encourages each operating business unit to develop new policies, implement communication initiatives based on the needs from the local community and all stakeholders.

In 2013, APP-China established a "Sustainable Development Committee" which is responsible for implementing sustainability related policies and establishing sustainability plans in China, providing guidelines for sustainability initiatives, and setting up a national infrastructure which supports sustainable development. Building upon the success of the previous year, in 2014, APP-China continued to work on the scope of responsibility of the "Sustainable Development Committee". A cross-functional cross-regional "APP-China Sustainable Development and Corporate Social Responsibility Committee" and "APP-China Sustainable Development and Corporate Social Responsibility Standing Committee" were established. The "APP-China Sustainable Development and Corporate Social

Responsibility Working Committee" was also established to cover the function departments including sustainable raw material sourcing, environment, labor, and community involvement. The APP-China executives and key persons in charge in all functional areas will serve on the committees and are responsible for developing measurable objectives in all function areas. We are committed to make sustainable development part of our core assets, standardize our management process to support sustainable development, and face the challenge presented to us in terms of environmental protection/social issues. We hope to bring APP-China's overall performance in sustainable development to a new level through performance reviews on all operating business units in different locations.



APP-China Sustainability Management Organization Structure





APP-China established

## 5 committees in respective function areas

APP-China Sustainable Development and Corporate Social Responsibility Committee is chaired by the senior executive vice president. All function departments at the headquarters and all the departments that work with the forestry business in APP-China are responsible for developing the sustainability strategy for the whole group company under the leadership of the board of directors of APP-China, with inputs and guidance from the sustainability team from APP Indonesia. Together they are responsible for the implementation of the sustainability strategy of the company, providing annual reports in this area, and developing objectives and budget for the following year.

Under this committee, the APP-China Sustainable Development and Corporate Social Responsibility Standing Committee is comprised of functional departments that work closely together in the area of corporate social responsibilities. This committee aims to improve the company's capability in handling corporate social responsibility, related emergencies, and making quick and effective decisions. Quarterly meetings will be held to make decisions on tabled issues and clarify the contingency plan in the event of an emergency, based on the latest trends and developments in the area of corporate social responsibility.

Based on the needs from different operating units in the areas related to sustainable development and corporate social responsibilities, APP-China has set up

5 committees in respective functional areas, (namely Committee of Green Procurement Committee of Sustainable Forestry, Human Rights and Labour Relations Committee, Committee of Environment and Safety and Committee of Community and Charity) to effectively manage and implement APP-China's sustainability and corporate social responsibility in daily operation.

Meanwhile, APP-China will continue to advocate the development of a certification system as part of the efforts to implement sustainable development on the production and operation levels.

### APP-China Certification Status Overview

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

In 2011, APP-China published the "PCwC (Paper Contract with China) Sustainable Development Declaration". To implement the "Sustainability Roadmap Vision 2020", we are committed to practicing sustainable development throughout our supply chains, environment and community. In this process, we wish to attract more stakeholders to join us by effective communications. After

publishing the "Declaration", we made our quarterly PCwC progress report public. We have established an industry platform through carefully analyzing and interpreting government policies and regulations as well as sharing our corporate beliefs and our best practices, to achieve the goal of sustainable development for the whole industry.

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

- To continuously seek to improve sustainable forestry and conservation protection practice in the areas where we operate and to be part of the solution;
- To contribute to the fight against global warming by implementing measures in all our subsidiaries and associated business entities to conserve energy, reduce emissions and practice global leading environmental standards while engaging employees to support the company's environmental initiatives;
- To continue APP-China's commitment to community empowerment and harmonious relationships with communities by promoting economic growth, creating job opportunities, investing in infrastructure in rural areas and building schools where we operate;

- To build a sharing platform to promote China's sustainable development of plantation, pulp and paper sectors with related stakeholders, including peers, government, industry associations, media, academia, student societies and NGOs.

For APP-China's sustainability strategies, implementation schemes and latest updates, please refer to the APP-China corporate website (<http://www.app.com.cn/category/index/id/4>).

APP-China sincerely welcomes all stakeholders that have the same concerns for a sustainable approach to paper manufacturing to share suggestions, visit our facilities and assess and review our operations.

"In the future, APP-China will continue to adhere to 'PCwC Declaration' and remain committed to providing solutions to support sustainable forestry and protect environment, implementing policies on energy conservation and world-class emissions reduction, putting green concepts to practice; meanwhile making contributions to the development of the local economy, creating local jobs, and promoting the realization of harmonious communities, as well as pushing the whole industry toward the direction of green development".

——Mr. Sun Bingjian  
GM for Culture and Public Affairs  
APP-China



## Stakeholder Engagement



As individuals who are integral parts of company operations, the actively participating stakeholders can help us assess the impact of our actions, and allow us to adjust our directions based on the needs of the stakeholders. We

also seek to broaden the communication channels with our stakeholders to get more feedbacks from more places. We aim to include more perspectives of our stakeholders in our strategy for sustainable development.



Meanwhile, we have used separate surveys for the executives of the company in order to obtain a more direct and clear picture about their perceptions of all the key issues. The survey respondents included persons in charge of all function departments, and GMs of the subsidiaries. We have also included more open questions in the

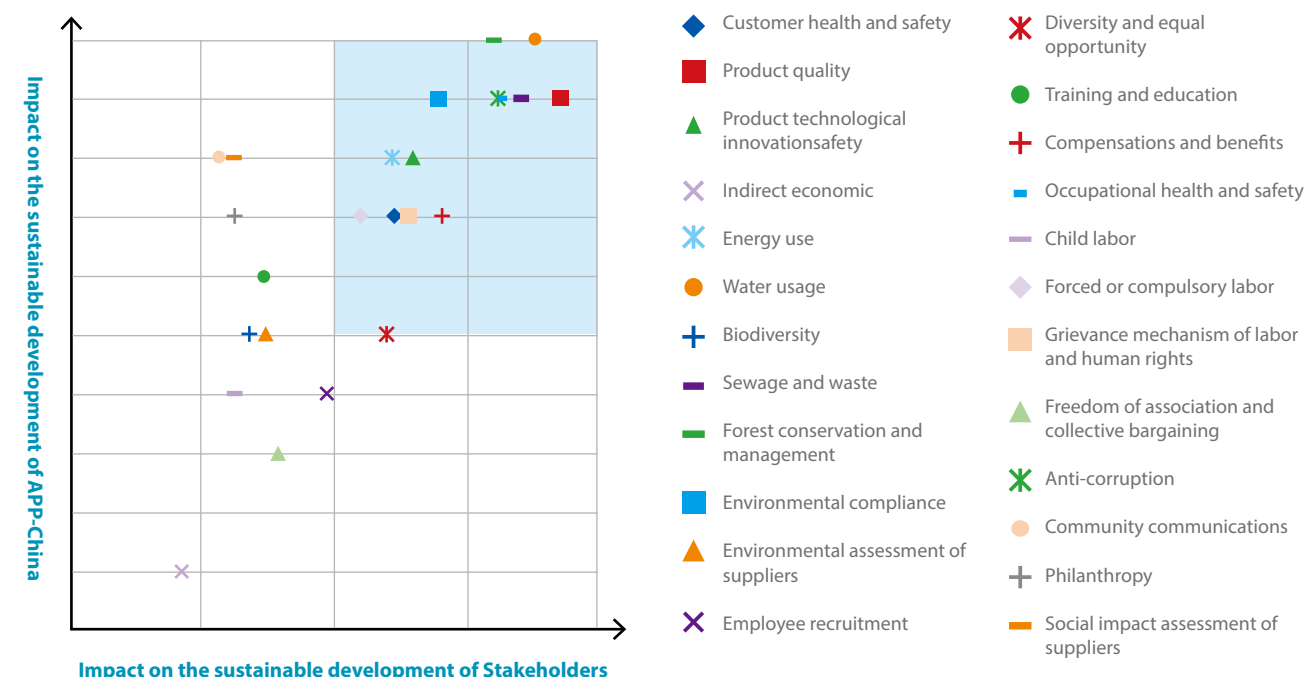
surveys specifically for the executives in order to solicit their opinions and suggestions on company initiatives regarding sustainable development.

We collected 173 valid and completed surveys in total. Based on the interactions among different types of stakeholders, we have used weighted percentage

to better reflect the feedbacks and assessment of the stakeholders for a more comprehensive and balanced view.

Based on the survey results, we have completed the matrix for 2014 sustainable development related topics to identify the core issues for the annual corporate social responsibility report.

APP-China Matrix for Significant Issues 2014



### APP Seeking New Engine for Industrial Paper



Industrial paper has long been the most prominent part of all paper products. It is regarded the indicator the of the circular economy and its development decides the future of the whole industry. On Dec 18th, 2014, the APP-China and China News Weekly sponsored the PCwC China

Paper Industry Sustainability Forum in Ningbo. Over 200 guests from government agencies, companies, trade associations, academic institutions, NGOs and banks attended the forum and discussed extensively topics on the status quo of the China paper industry, green development

and industry consolidation in order to encourage the whole industry to find a new engine under the new normal mode of the economy facing challenges brought about by new technologies and new business environment.

The annual survey of the stakeholders since 2009 has become an integral part of our work in sustainable development. The survey helps us to understand concerns through feedback from all of the stakeholders on issues of sustainable development. The survey result, to a large extent, determines the content of the annual sustainable development report. It also reflects the change in trends, which concerns the stakeholders and has a major impact on our sustainability action plan.

We have been optimizing the stakeholder survey in order to extract more accurate information on the demands of the stakeholders. In 2014, we have adopted an anonymous online survey format combined with questionnaires to collection information from front line employees, middle management, customers, community representatives, suppliers/contractors, trade associations, academic organizations, NGOs, media and banks.

In order to better understand the impact we have on our own sustainable development process, as well as the impact we have on our stakeholders' sustainable development process in a more accurate and more direct manner, we have consolidated certain proposed topics based on the results of our previous studies, the results from referring to and comparing to the sustainable development topics proposed by GRI, and disclosed sustainable development related topics adopted by our peer companies. Meanwhile, we have supplemented some new topics based on the overall changes in the sustainable development environment, and new topics emerged from media focus as well, all this have contributed to the finalization of the topics included in the 2014 stakeholder survey.



Overview of Stakeholder Concerns and Communications Content



Stakeholders	Key Concerns of Stakeholders	Communications Content
Employees	Forest conservation and management	Please refer to Scientific Forestry Management, Forest Certification
	Employee training and education	Please refer to Career Development
	Sewage and waste	Please refer to Water Usage, Waste Management
	Grievance mechanism of environmental issues	Please refer to Community Involvement
	Occupational health and safety	Please refer to Occupational Health and Safety
	Product quality	Please refer to Product Service
	Employee recruitment	Please refer to Work Environment
	Customer health and safety	Please refer to Product Service
	Water usage	Please refer to Water Usage
	Environmental compliance	Please refer to Environment Management
Customers	Product quality	Please refer to Product Service
	Customer health and safety	Please refer to Product Service
	Product technological innovation	Please refer to Product Service
	Forest conservation and management	Please refer to Scientific Forestry Management, Forest Certification
Banks	Customer health and safety	Please refer to Product Service
	Energy use	Please refer to Gas Discharge and Energy Management
	Water usage	Please refer to Water Usage
	Product quality	Please refer to Product Service
	Sewage and waste	Please refer to Water Usage, Waste Management
Suppliers/Contractors	Indirect economic impact	Please refer to Career Development
	Human rights, environmental, and social impact assessment of suppliers	Please refer to Purchasing of Recycled Materials
	Employee recruitment	Please refer to Work Environment
	Customer health and safety	Please refer to Product Service
Communities	Customer health and safety	Please refer to Product Service
	Water usage	Please refer to Water Usage
	Product quality	Please refer to Product Service
	Sewage and waste	Please refer to Water Usage, Waste Management
	Grievance mechanism of labor and human rights	Please refer to Communications with Employees
Industry Associations	Water usage	Please refer to Water Usage
	Product quality	Please refer to Product Service
	Sewage and waste	Please refer to Water Usage, Waste Management
	Grievance mechanism of labor and human rights	Please refer to Communications with Employees
Third Parties: Media Academia NGOs	Sewage and waste	Please refer to Water Usage, Waste Management
	Water usage	Please refer to Water Usage
	Occupational health and safety	Please refer to Occupational Health and Safety
	Forest conservation and management	Please refer to Scientific Forestry Management, Forest Certification
	Employee training and education	Please refer to Career Development
	Customer health and safety	Please refer to Product Service
	Product quality	Please refer to Product Service
	Energy use	Please refer to Gas Discharge and Energy Management

Note: The "Key Concerns of Stakeholders" presents data in a descending order of importance. Higher ranking means more substantial concern.

Compared to other issues of sustainable development, in 2014, we focus on issues of sustainable development as below:



Environment

water usage, forest conservation and management, sewage and waste, energy use, environment compliance;



Employee

occupational health and safety, compensation and benefits, grievance mechanism of labor and human rights, forced or compulsory labor, diversity and equal opportunity;



Social

product quality, product technological innovation, anti-corruption, customer health and safety;

As part of our efforts to communicate with all stakeholders, we have held the 2nd APP-China Stakeholder Round Table in 2014. Experts in the area of sustainable development from government agencies, companies, academic institutions, NGOs held extensive discussions on topics regarding the compilation and dissemination of sustainable

development reports, and management of sustainable development. They also shared their action plans, initiatives and experiences in the dissemination of information and communication with stakeholders. The results yielded from the Round Table would help us to fine tune our policies and strategies in sustainable development.

Compliance



Compliance is the bottom line that APP-China has always insisted on in all business areas. Persistently raising employees' anticorruption awareness has also been a priority of legal compliance at APP-China. Internally, APP-China used multiple channels, such as setting up an anti-corruption mail box for reporting problems, signing the "Employee Professional Ethics and

Probity Code of Conduct" document and installation of bulletin boards to enhance communications with employees on internal control and anticorruption as well as to improve employees' awareness.

Externally, APP-China published anticorruption announcements on the corporate website and printed the anticorruption mail box address on

business cards to communicate anticorruption information to keep external stakeholders like suppliers and contractors informed of our anti-corruption policy and code of conduct, which would bring them with us together to maintain a healthy, fair and transparent business environment.

# OUR PERFORMANCE

## Status Quo of Sustainable Development

The paper industry in China is at the critical point of transformation. As the landscape of the world economy shifts and the Chinese economic transformation speeds up, the paper industry in China is increasingly feeling the constraints from the environment as well as the shortage of resources and energy. More paper companies are paying more attention to green and low carbon development. APP-China strives to practice sustainable development at both strategic and operational levels. We are committed to work toward the sustainable development objectives of achieving lower power consumption, protecting environment, higher efficiency, changing the current stereotypical image of our industry as high energy consuming, polluting, and inefficient.



- 26** Sustainable Forestry
- 29** Green Procurement
- 32** Environment and Safety
- 41** Human Rights and Labor
- 47** Community Work and Charity Work



## Sustainable Forestry

**Green sustainable development is imbedded in APP-China's daily operation. Back in the 90s, APP-China introduced the concept of integration of "Plantation-Pulp-Paper" to China. APP-China has created a green and environmental friendly integrated cycle to encourage the paper industry to use forests more responsibly, and to fund efforts in conserving the forests. Under the guidelines of "Sustainable Operation Policy" issued in 2013, APP-China has tightened up its controls on supply chain management, forestry management and ecological protection throughout 2014 in order to optimize our forestry management system and fulfill our commitment to sustainable development.**

### Scientific Forestry Management

China has a severe shortage of natural forests, making plantations the best solution to satisfy the needs for paper and pulp. Since the 90s, plantations have flourished in China. APP-China has never stopped our quest for scientific forestry management. APP-China has worked closely with the China Science Academy of Forestry and its subsidiaries

By the end of 2014, APP-China has planted forests on the barren mountains over

**300,000** hectares

to develop and introduce innovative technologies to improve the production of forestry and to minimize the impact on the environment. By the end of 2014, APP-China has planted over 300,000 hectares of forests on barren mountains and wastelands throughout 168 cities and counties in 8 provinces.

located in 8 provinces'

**168** cities and counties

### APP Workshop on Ecological Restoration

From Jan. 1st, 2014, Hainan province has started to implement the freshly revised "Regulations on Management of Forest Lands in Hainan Economic Special Zone". The new regulations have established a legal base to protect the forests and significantly improve the efforts in protecting the forests. In order to become an active participant of the new regulations, and promote the progressive restoration process of the ecological system. APP-China, together with international environmental NGOs sponsored the "Workshop on Ecological Restoration of Hainan Natural Conservation of Man-made Forest" from July 2nd to 4th, 2014. Experts from relevant government agencies of Hainan province, key natural conservations, representatives from ecological protection organizations, grass root communities and experts of the industry all got together and had extensive and in depth discussions over the sustainable development and restoration of the ecological system in Hainan. As the business representative, Dr. Huang

Wending, the deputy GM of APP-China Forestry, has presented the report titled "The Role of APP-China in the Process of Ecological Restoration: Issues and Challenges" on behalf of APP-China. The report presented the efforts and achievements APP-China had in the process of protecting forests, as well as our challenges and solutions.

All participants reached a consensus on the urgency of ecological restoration of Hainan province after the discussion. They have signed the "Hainan Ecological Restoration Resolution" which proposed that all stakeholders have open dialogs to explore the best practices in ecological restoration, balancing all aspects including environmental, economic and social interests.



### Forest Certification

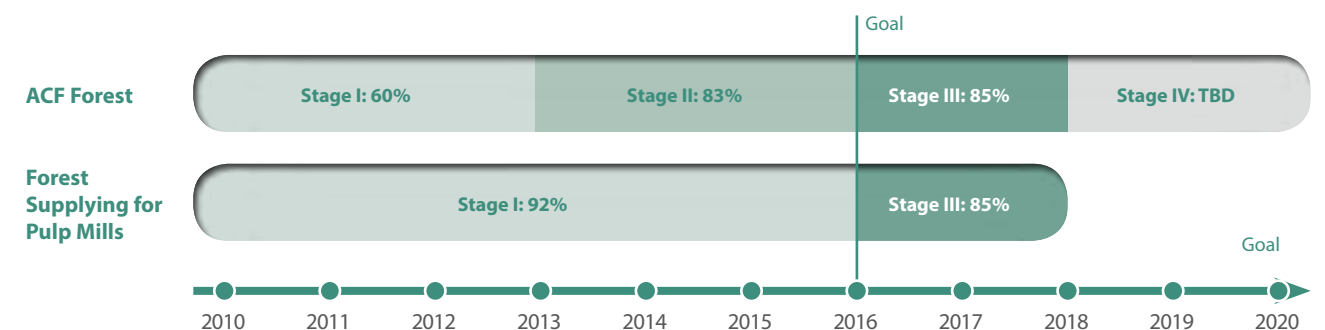
APP-China has always made efforts to push forward the process of forest certification to fulfill our own promise of sustainable operation and in response to the ever more stringent product requirements imposed by the recognized certification system. The overall goals for different stages have been set such

that by 2020, all forests supplying pulp production will be 100% certified, and certification will also be required on all self-managed forests. By the end of 2014, 83% of the forests passed the CFCC/PEFC certifications, which was two years ahead of the schedule.

By the end of 2014, the part of the forests passed the CFCC/PEFC certifications was about

**83%**

### APP-China 2020 Forest Certification Goal



### Bringing the Chinese forest certification system to global standards

On March 7th 2014, a symposium sponsored by China Forest Certification Council (Hereinafter referred to as CFCC) and the Program for the Endorsement of Forest Certification System's (hereinafter referred to as PEFC) China office, and co-organized by APP-China on the topic "The Era after CFCC Obtains International Recognition" was held in Shenzhen. Executives who were responsible for purchasing function from over 100 companies in a dozen industries and high level personnel in the area of sustainable development participated in this symposium. It announced that CFCC and PEFC are mutually recognized certification systems, which indicates that the forest certification system has finally been recognized and accepted internationally, therefore providing more certification and purchasing alternatives for domestic and overseas companies.

To companies in Chinese paper industry, since many countries favor certified products on the market, the mutually recognized CFCC and PEFC systems can help China to elevate forest management levels, solve the problem of Chinese products gaining access to international markets, and become more competitive.

In addition, the mutual recognition of CFCC and PEFC has provided multinational corporations with more certification options in China.



# Green Procurement



## Water and Soil Conservation and Biodiversity

As the keeper of large areas of forests, APP-China goes beyond sustainable management of the forests. It goes further to shoulder the responsibility of preserving biodiversity in our environment.

APP-China is committed to the protection and conservation of vegetation and soil of the forest grounds by adopting low intensity and low impact operation alternatives. Meanwhile, APP-China has also strengthened its pre-warning systems for forest fire, and pest infestation in the forests to reduce potential natural disasters in the forests. In order to better assess the impact plantations have on the local environment, and fine tune the business direction accordingly , APP-China has commissioned a third party organization

for the ecological monitoring of the plantation on a five-year basis, to ensure that business activities will positively impact the environment. In 2014, APP-China has continued to commission the third party organization for the job. By the end of 2014, APP-China has completed its phase one ecological monitoring and evaluation project, which indicated that APP-China has successfully mitigated the negative impacts on local environment including ground water, soil, and biodiversity. In the future, APP-China will continue to contract third party partners to conduct ecological monitoring and evaluation projects to promote local sustainable development process to the maximum through scientific management models.



## Wood Fiber Purchasing

**Responsible procurement has become an indispensable part of a company's corporate social responsibilities in the era of sustainable development. APP-China observes principles that promote openness, fairness and justice in the procurement function through implementation of tightly controlled mechanism and processes, a stringent reviewing process, onsite surveying and sampling procedures. APP-China also continues to raise the bar for suppliers to become socially responsible. APP-China works closely with the suppliers through all forms of communication channels to create a healthy, virtuous, and sustainable green supply chain.**

To ensure the wood fiber used to make pulp is legal and traceable, APP-China continues to improve the mechanism overseeing the purchasing of raw materials for pulp and policies that regulate the supply chain of the organization. Priorities are given to certified wood fiber with zero tolerance for illegal felling. Up till the end of 2014, 16 subsidiaries of APP-China including Gold East Paper, Gold Huasheng, Ningbo Zhonghua, Ningbo Asia, Suzhou Gold Hongye, Hainan Jinhai and Guangxi Jingui have received the PEFC-CoC certifications. The special accounting system for the timber business has been

adopted to ensure that all purchased timbers are PEFC-CoC compliant.

Since 2014, APP-China has considerably increased the percentage of recycled wood fiber. Meanwhile, the total amount of certified wood fiber also witnessed a significant increase in response to the needs of stakeholders, reaching 23% of the total supply. The origins of our wood fiber are primarily from China and other Asian countries and regions. In 2014, the purchased wood fiber accounted for 35% of the total purchase.



APP-China PEFC-CoC Certified Companies

No.	APP-China Companies	Certification No.
1	Gold East Trading (Hong Kong) Co., Ltd.	SGS-PEFC/COC-0249
2	Gold East Paper (Jiangsu) Co., Ltd.	SGS-PEFC/COC-0263
3	Gold Huasheng (Suzhou Industrial Park) Co., Ltd.	SGS-PEFC/COC-0328
4	Ningbo Zhonghua Paper Co., Ltd.	SGS-PEFC/COC-0334
5	Ningbo Asia Pulp and Paper Co., Ltd.	SGS-PEFC/COC-0360
6	Gold Hongye Paper Group Co., Ltd.	SGS-PEFC/COC-0462
7	Gold Shengpu Paper Products (Suzhou Industrial Park) Co., Ltd.	SGS-PEFC/COC-0533
8	Jin Feng Yuan Paper (Shanghai) Co., LTD.	SGS-PEFC/COC-0628
9	Yalong Paper Products (Kunshan) Co., Ltd.	SGS-PEFC/COC-0787
10	Hainan Jinhai Pulp & Paper Co., Ltd.	SGS-PEFC/COC-0805
11	Gold Hongye Trading (Hong Kong) Co., Ltd.	SGS-PEFC/COC-1463
12	Gold Huasheng Trading (Hong Kong) Co., Ltd.	SGS-PEFC/COC-1464
13	Ningbo Asia Pulp Trading (Hong Kong) Co., Ltd.	SGS-PEFC/COC-1465
14	Hainan Jinhai Trading (Hong Kong) Co., Ltd.	SGS-PEFC/COC-1467
15	Guangxi Jingui Pulp & Paper Co., Ltd.	SGS-PEFC/COC-1543
16	Sinar Mas Paper (Shenzhen) Co., Ltd.	SGS-PEFC/COC-1640



APP-China reported that among all the purchased pulp, certified pulp accounts for

18%

The total quantity of local procurement amounted to

1.285 million tons

Pulp Procurement

APP-China reported that among all the purchased pulp, certified pulp accounts for 18%. In 2014, APP-China has also increased the quantity of domestically sourced pulp and adjusted the amount

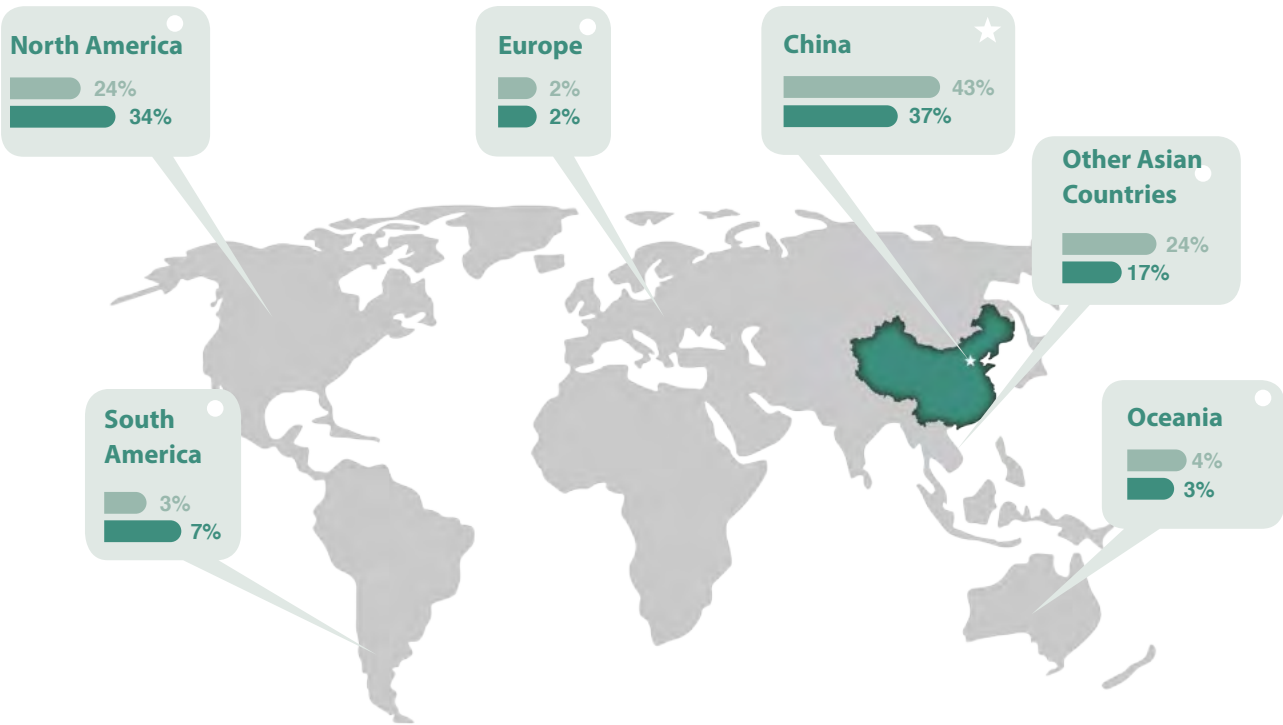
of pulp purchasing from various regions due to changes in market demand. The total quantity of local procurement amounted to 1.285 million tons.

2012-2014 APP-China Pulp Purchasing Summary

	2012	2013	2014
Total Pulp in 1,000 (in tons)	3,384.3	3,462.6	3,483
Certified Pulp in 1,000 (in tons)	779.7	722.5	574

2013-2014 Overview of APP-China Pulp Sourcing Regions

2013  
2014



Purchasing of Recycled Materials

At APP-China, recycled paper is also an important part of the raw materials for paper production. Use of recycled paper can reduce the use of virgin fiber, in turn reduce the use of trees, which helps to maintain ecological balance. Recycled paper is an effective part of the solution to the three major challenges that have plagued the paper industry: shortage

of raw materials, shortage of energy and heavy pollution. The subsidiaries of APP-China including Ningbo Zhonghua and Ningbo Asia use a large amount of recycled paper as raw materials. In 2014 alone, they used 415,600 tons and 158,825 tons of recycled papers respectively.

In 2014, Ningbo Asia used recycled paper as raw material as

415,600 tons

In 2014, Ningbo Zhonghua used recycled paper as raw material as

158,825 tons

2012-2014 Recycled Paper Purchasing Summary at Ningbo Zhonghua and Ningbo Asia

Recycled Paper	2012	2013	2014
Ningbo Asia (in tons)	422,610	358,200	415,600
Ningbo Zhonghua (in tons)	159,085	155,977	158,825

APP Gold Huasheng Promotes Sustainable Management Practices with the Suppliers

Starting from September 2014, Gold Huasheng has established higher social and environmental standards for the suppliers to build a sustainable supply chain. The new requirements include:

1. Having all new suppliers sign the "Corporate Social Responsibility Letter of Declaration & Commitment (CSR LDC)" which was drafted by Gold Huasheng based on relevant laws and regulations and SA8000 corporate social responsibilities. It sets forth specific requirements for the suppliers in the areas of business ethics, human rights, environment protection, energy

conservation and emission reduction and intellectual property.

2. Higher environmentally friendly standards put in place on raw materials. For instance, the purchasing standard for coal ash has been reduced from 25% to 15%; Sulfur from 0.8% to 0.6%.

3. Anti-corruption clauses and anti-corruption reporting channel information included in purchasing contracts. Clauses concerning all stakeholders were also added in contracts. APP-China calls on all suppliers to adopt the most stringent local laws and regulations in environment

protection, abide by labor laws and regulations set forth by the International Labor Organization (ILO), pledge to respect and comply with the United Nation's Declaration of Human Rights, and disclose the above information.

Since the date of implementation in 2014, 284 suppliers of Gold Huasheng signed the "CSR LDC".

# Environment and Safety



## Environment Management

2014 represented the beginning of the deepening of the Chinese reforms. It was also the most important year for the Chinese paper industry in the 12th five year plan. Environmental protection and safety are two red lines that cannot be crossed for the transformation and upgrading of the paper industry. The consensus of "No Environmental Protection, No Paper Production" is being formed among the companies that insist on sustainable development, and APP-China has spared no efforts in these areas. In addition to the formation of a green virtuous cycle, all mills in APP-China have increased their efforts to environmental protection in the production process through monitoring energy consumption and raising the level of energy utilization, and created a small cycle in terms of processing and recycling waste water, waste gas, and effluent.

APP-China has established a relatively comprehensive environment management system, which includes three aspects focusing on establishing an organizational structure, improving management competencies and perfecting a performance assessment system to implement the close-circuit management system covering all stages from strategy development, implementation and performance assessment. In accordance with the requirements set forth in national environment protection related laws and regulations, APP-China has established specific environment protection KPIs for subsidiary mills, taking into full account their own characteristics. In addition to quarterly meetings on the topic of environment protection, the environment protection departments at the mill level are expected to submit monthly reports on disposal of effluents, waste gas and other pollutants, as

well as reports on energy consumption all of which are subject to reviews and evaluations by the environment protection department at the headquarters level.

In order to reduce environmental impacts and to practice clean manufacturing, APP-China requires that all subsidiary mills establish environment management systems to optimize the internal management environment. In 2014, the total environmental related investments in all business units of APP-China covered under this report have reached RMB 935,138 million. To fully comply with the 2014 edition of the Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), APP-China has been investing in desulfurization and denitrification equipment in their own thermal power plants since 2012.

### APP-China Environment Management Structure



#### APP-China HQ (Decision Maker Level)

- At APP-China headquarters, all relevant departments will participate in the goal setting, plan development and the decision making and reviewing of major environmental protection related policies



#### Environment Protection Functional Dept. (Organization Level)

- The associated personnel at headquarters are responsible for organizing, coordinating across all function departments and up and down the subsidiaries on environment-related work, striving to achieve environmental protection goals



#### Horizontal Environment Protection Dept. at Each Plant Vertical Production Unit (Execution Level)

- All environment protection departments across all functions shoulder the environment protection responsibilities while the vertically related subsidiaries in the system are responsible for the execution of the environment protection work, as well as submitting reports to the decision making level

## Water Usage

The paper production process requires a large amount of water to carry materials around. It has long been the focus of the paper industry to maintain reasonable water usage. In order to further improve the water recycling system, APP-China has upgraded water-saving equipment and water recycling equipment to

increase production efficiency, reduce the consumption of water and steam, improve waste water processing, and increase the use of recycled water. APP-China is the industry leader in controlling waste water discharge and pollutant discharge.

### 2012 - 2014 APP-China Water Usage



	2012	2013	2014
Total Water Usage (tons)	105,490,878	124,947,268	121,733,245
Wastewater Treatment Volume (tons)	87,398,997	88,260,859	107,303,658



### United Nations Global Compact "CEO Water Mandate" -- Our Actions

The pulp industry uses a large amount of water in production. In 2011, 6 mills under the APP-China umbrella, Gold East Paper, Hainan Jinhai Pulp & Paper, Ningbo Zhonghua, Ningbo Asia, Gold Huasheng and Suzhou Gold Hongye, have become the first mills of its kind in China to participate in the United Nation's initiative, Global Compact "Water Mandate". APP-China has put in place a series of cutting edge treatment to process waste water and protect the environment by equipping production devices and technologies

as well as upgrading its existing system to boost efficiency and reduce the consumption of water and steam, improve waste water processing and improve the use of recycled water.

In 2014, these 6 mills continue to invest in equipment optimization and new technology to increase the percentage of recycled water usage.

### 2012 - 2014 APP-China total recycled water usage in 6 mills (in tons)



	2012	2013	2014
Gold East	468,317,655	459,947,772	462,905,343
Hainan Jinhai Pulp & Paper	977,704,528	1,043,531,770	985,113,985
Ningbo Zhonghua	130,417,250	130,747,934	134,695,427
Ningbo Asia	151,347,901	151,348,677	151,286,064
Gold Huasheng	322,985,500	354,629,000	384,789,253
Suzhou Gold Hongye	117,381,642	143,437,210	94,273,367

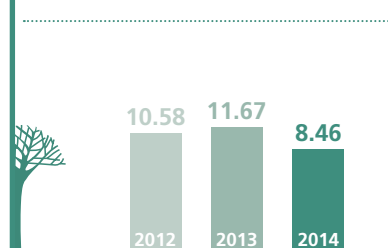
In 2014, due to the continuous efforts in technological innovations and optimization of environmental protection equipment, APP-China has observed significant decrease of COD emissions for each ton of paper produced over the previous year.

However, the production line upgrades in the pulp mills of APP-China required periodical test runs and adjustments, which caused the spikes in the effluent discharge and COD emission in the same periods, leading to relatively high levels of effluent discharge and COD emission

figures for the year of 2014. As the production line upgrades and the tuning are completed, the effluent discharge levels are expected to return to normal levels in 2015.

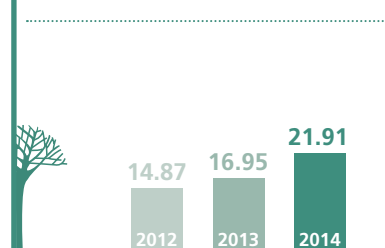
#### Annual Average Wastewater Discharge per Unit of Product (per ton of paper)

national standards 20.00\*



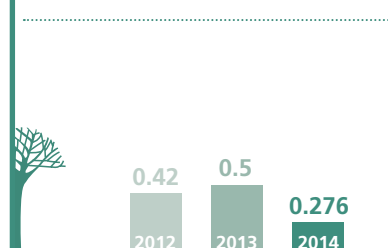
#### Annual Average Wastewater Discharge per Unit of Product (per ton of pulp)

national standards 50.00\*



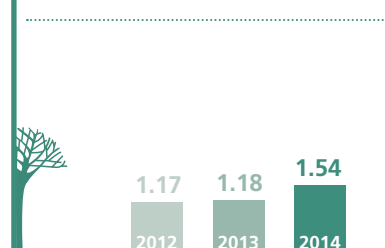
#### COD Emission for Each Ton of Paper Produced (kg/ton)

national standards 1.6\*



#### COD Emission for Each Ton of Pulp Produced (kg/ton)

national standards 5.00\*



\*National standards implemented starting from Jul 1st, 2011.  
Data stems from GB3544-2008 Discharge standards for water pollutants from Pulp and paper industry



#### Guangxi Jingui Technology Upgrading Project for Water Processing

All mills under APP-China have been committed to continue to improve the water usage efficiency by raising the standards through technical innovations and equipment upgrading. In 2014, Jingui established SDA, consisting of members from key production departments, to reduce water usage. They successfully reached the goal of reducing clean water consumption by 465,000 meter<sup>3</sup>/month. The per ton pulp water consumption was reduced by 8.89 tons, or 18.9%, and per

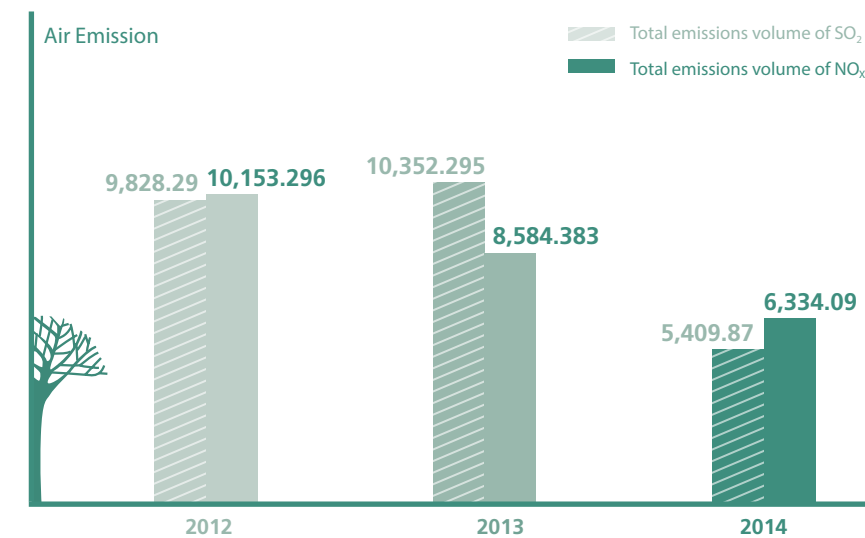
ton paper water consumption was reduced by 10.64 tons, or 35%. They have beaten their goals and realized an annual saving of 14.154 million RMB.

Reducing clean water consumption by  
**465,000** meter<sup>3</sup>/month

## Air Emissions and Energy Management

Management of emission is also an important part of APP-China's environment friendly initiatives. At APP-China, air emissions mostly come from Sulfide, Nitrogen Oxides, and dust from pulp production and from their own power plants. All mills mentioned in the report have their own thermal power plants. Starting from Jul 1st, 2014, Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011) has been in effect. The new standards specified that for all power plants built before Jul 2011, the sulfur dioxide level should not exceed 200mg/m<sup>3</sup>, the

nitrogen dioxide level should not exceed 100mg/m<sup>3</sup>, and the dust level should not exceed 30mg/m<sup>3</sup>. Special ceiling values will be set for key areas, which are respectively 50, 100, 20mg/m<sup>3</sup>. APP-China has spared no cost investing in desulfurization and denitrification equipment, implementing many technological innovations and upgrading equipment to reach the goals. In 2014, the overall emissions of the company were reduced significantly.



#### Guangxi Jingui Desulfurization and Denitrification Project

In order to meet the requirements in Emissions Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), Guangxi Jingui transformed treatment facilities of the 1# boiler gas to the external desulfurization and denitrification systems. The desulfurization process employs a limestone gypsum method with white mud as the desulfurizing agent, with the CaCO<sub>3</sub> as an effective supplement. The desulfurization rate was greater than 96.5% and the utilization rate of the device satisfies the needs of the generator unit. The denitrification process

employs Selective Catalytic Reduction (SCR) which was placed in between the boiler economizer and air-preheater without a bypass. The catalyst is the cellular form and the deoxidizer is liquid ammonia. The denitrification rate is more than 72%.

The transformation effort of the desulfurization and denitrification systems cost about 80 million RMB. The project started in September 2013 and a trial ran in July 2014. After the system was up and running, the SO<sub>2</sub> emissions are expected

to be no more than 200 mg/Nm<sup>3</sup>, and the NO<sub>x</sub> emission no higher than 100mg/Nm<sup>3</sup>, meeting the requirements of Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011).



In 2014, renewable energy (black liquor from pulp, biofuel and etc.) accounted for

26%

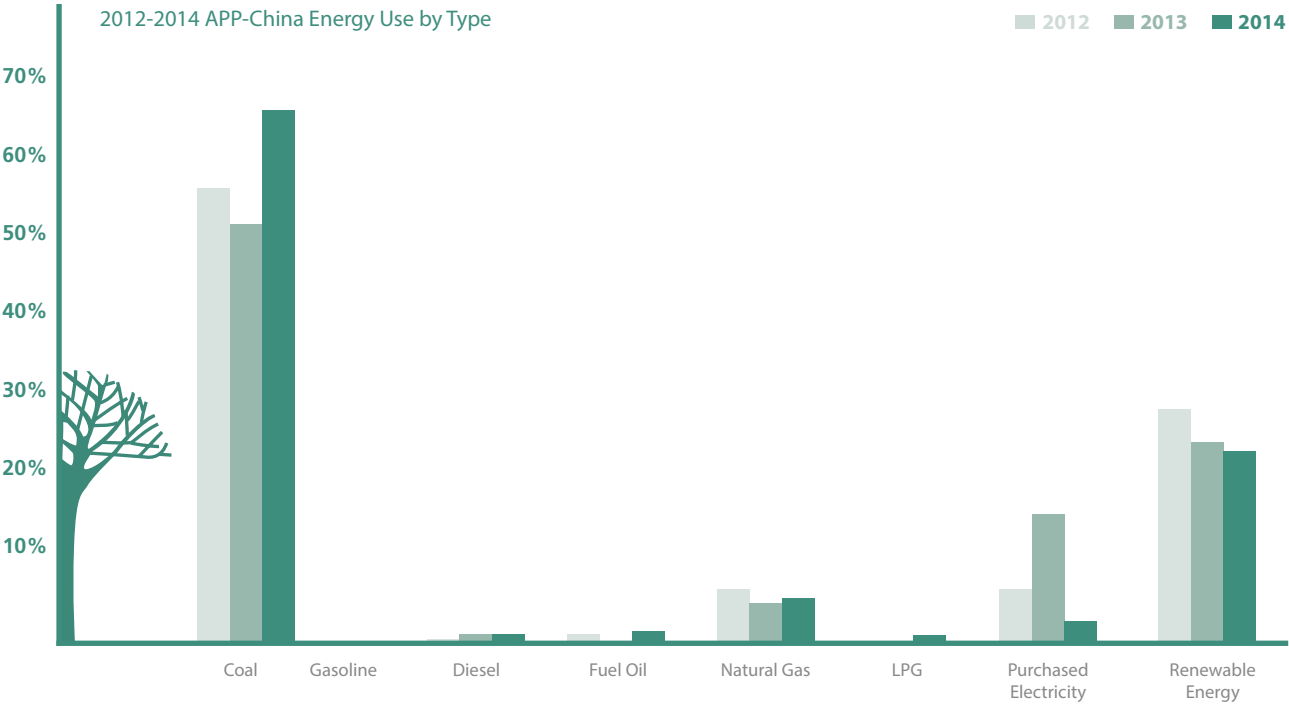
In order to achieve the goals set forth in the "Energy Conservation and Emission Reduction in the 12th Five Year Plan", and step up to the severe challenges presented to us in the face of climate change, APP-China has on the one hand, increased its efforts and investment in energy management and equipment for energy conservation. On the other hand, APP-China has increased the use of alternative bio fuels such as plant stalks, sugar cane bagasse, and solar energy to reduce carbon emission from its production operations.

APP-China gets its energy mainly from coal, black liquor from pulp and bio-fuel. In 2014, coal accounted for 66% of our energy sources, renewable energy (black liquor from pulp, biofuel and etc.) accounted for 26%. In 2014, APP-China started building its energy management system in all its pulp mills. Hainan Gold Hongye, Gold Shengpu, and Jinhai pulp mills have achieved significant results, and all of them passed ISO50001 certification.

Solid Waste Management

APP-China has worked hard in the area of solid waste recycling and is committed to the reduction of the total end waste that needs to be processed. The reported major waste in all mills includes mud, coal ash, sludge and hazardous waste. All mills have established complete waste processing mechanisms to ensure that wastes are properly disposed and the percentage of waste being recycled is

increasing. APP-China uses furnaces to burn off wastes such as sludge and saw dust. The thermal energy is effectively reused in the form of steam and electricity. The waste material disposal is incorporated into energy regeneration and made non-hazardous. The total quantity of solid waste has also been reduced.



Gold Huasheng Reduces Production Energy Consumption through Technological Innovations

Gold Huasheng continues to increase production and reduce energy consumption at the same time through innovation. Product quality has been improved with production capacity of calcium carbonate, which increased by 5-10%, while energy consumption for grinding reduced through improvement

of GCC production capacity. The energy required for calcium carbonate grinding has been reduced by 5-10%. Both the overall energy consumption and unit production energy consumption have been reduced by 50% through changing the L-02 coating to a single application. The unit energy consumption of pulping

has been reduced by 10-20%. Meanwhile, the quality of paper products has been improved. The energy consumption associated with CFA has been reduced by 30-40% through changing the CFA coating to a single application.



Waste Disposal at Gold Huasheng

Since the very beginning, Gold Huasheng has been seeking ways to reduce the quantity and cost of the three major wastes discharged through continuous technological innovations and upgrading of equipment.

1. Recycle waste by producing concrete out of coal ash and furnace slag.
2. Mix the mud from waste water processing into coal to burn in the furnace to dispose mud and reduce the use of limestone, and in turn reduce the energy consumption.
3. Utilize CO<sub>2</sub> from power generation to produce light calcium carbonate, which is a filler in paper production.
4. Establish desulfurization and denitrification systems to utilize SO<sub>2</sub> in the emissions from power generation to produce fertilizer ammonium sulfate without discharging any waste water, waste liquid or other form of waste. Waste is reused and recycled.
5. Utilize the calcium carbonate mud and fiber in the waste water to produce sludge cover plates and mold resistant lining paper to reduce the overall cost structure.
6. Sell the waste wet pulp in the waste water to be recycled for reuse.
7. Design multiple white water collecting pools in the whole production process, and build an effective and efficient white water processing system. The isolated white water is collected and batch processed as much as possible. The white water is processed to recycle microfibers in the water. The water can be totally recycled in the production process. For instance, processed white water is used to dilute starch to reduce the use for clean water and effluent.
8. Construct reclaimed water system to recycle discharged water, and reuse the reclaimed water for cooling tower, landscaping, road cleaning, firefighting and bathroom flushing for reducing the use of clean water.

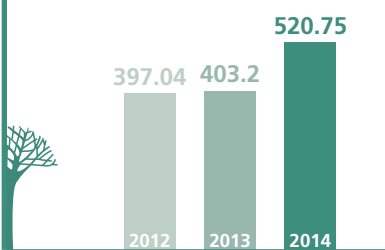
2014 Statistics on Recycling Initiatives

Type of Waste/Unit (in tons)	Volume Processed	Disposal
Coal Ash	99,265.4	Commissioned Suzhou SIP Chuanghe Environmental Technology Ltd. Co. to recycle and reuse
Furnace Slag	55,724.0	Commissioned Suzhou SIP Chuanghe Environmental Technology Ltd. Co. to recycle and reuse
Mud	13,092.0	Mix with coal to burn in the furnace in the power plant to reduce the use of limestone, and the use of energy
CO <sub>2</sub>	36,163.6	Capture CO <sub>2</sub> in the emissions of the power plant to recycle as the raw materials for PCC, and produce light calcium carbonate
SO <sub>2</sub>	422.8	Starting from Dec 2014, 871.96 tons of ammonium sulfate has been produced
CaCO <sub>3</sub>	153,123.1	Commissioned Xinshun Environmental Paper to recycle and reuse
Waste Wet Pulp	2,897.4	Sold to outside contractors for recycling
Reclaimed Water	1,069,784	Use reclaimed water for cooling water in the cooling tower to reduce the use of clean water
General Solid Waste	33,898.5	Sold to contractors to be recycled and reused
Hazardous Waste	66.0	Commissioned contractors qualified to process hazardous wastes to dispose





2012-2014 APP-China Investment in Personal Protective Equipment (RMB 10,000)



## Occupational Health and Safety

Using OHSAS18001 as the occupational and safety management tool and platform, APP-China has established a healthy industrial safety guarantee mechanism for all the pulp mills and business units. To prevent accidents in the workplace, APP-China continuously perfects its health and safety

management system, regularly maintains and updates equipment and machinery that have hidden dangers and potential safety hazards, increases investment in personal safety equipment, and strengthens occupational health and safety for employees.

### Occupational Health and Safety Management Structure



**Safety Functional Dept.**  
(APP-China HQ)

The associated personnel at APP-China is responsible for overall administration of safety related affairs, setting up the framework for evaluating performance, developing an annual work plan, organizing safety related conferences among all business units, providing a platform for all parties to share experiences and showcase innovations.



**Dept. of Safety Management**  
(Pulp factories & Business Institutions)

Department of Safety and Management at the mill and institution level is responsible for developing a detailed working plan based on the directives from the HQ, developing detailed safety related performance evaluations, investigating and reporting workplace injuries to managers, following up action plans of occupational accidents, organizing training to prevent workplace injuries, arranging trainings and certifications for relevant personnel, providing internal safety related training and exams on a regular basis, reviewing implementation of safety regulations on production floors, pointing out outstanding issues and providing solutions.



**Production Units**  
(Pulp factories & Business Institutions)

Safety personnel will be recommended at the production unit level responsible for providing trainings for grassroot level employees, inspecting safety related issues in production plant, tracking problem solving processes and reporting the progress of existing problems and reporting workplace injuries to relevant departments.

## Safety Training

APP-China requires all new employees finish safety training before starting in their position. Pulp mills and other business units will hold similar training programs to raise safety awareness of all employees. These training programs include joint inspections of firefighting equipment, exchanging of safety related

experiences, employee safety knowledge competitions, seminars on onsite first aid and seminars on the prevention of common occupational hazards and occupational diseases. In 2014, APP-China has a total of 252,128.78 hours of safety related training for the employees.

### APP-China Three Tier Safety Education and Training System



HR departments at pulp mills and other business units are responsible for orientation training for all new employees, including training on all safety related laws and regulations, significance of workplace safety, the overview of workplace safety and all safety related rules and regulations at work.



Floor safety training at the mills is conducted by the floor manager. Training should cover the nature and characteristics of the production process, safety requirements for all positions on the floor, danger zones on the floor, location of special operations, positions involving toxic and hazardous materials; safety regulations on the floor and requirements for wearing safety gears and common knowledge specific to the department including fire safety knowledge and fire escape information.



Training at working group level is conducted by foremen and supervisors. Training includes production characteristics, operating environment, danger zone, equipment overview, fire fighting equipment; safety SOP for specific positions, and safety responsibilities of the employees; correct usage of personal safety gears; demonstration of safe operation procedures.

## Handling of Workplace Injuries

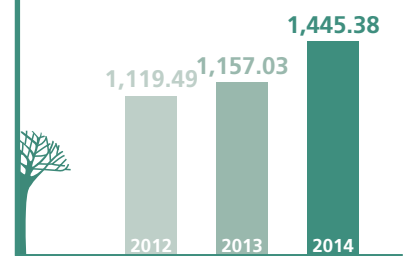
After the workplace injuries occur, APP-China shall send the injured employee to the onsite clinic or local hospital for immediate medical attention, submit all related information for the determination of the nature and cause of the injury and for insurance claim, and make sure the injured employee has immediate access to financial assistance and speedy compensation. Meanwhile, the safety personnel on the floor shall inform relevant departments to assist the investigation of the incident. A detailed "Investigation Report of Workplace Injury" should include all detailed information including what happened, how it happened, and the causes of the incident, analysis of the causes, and proposed improvements. The floor safety personnel, floor manager, safety related departments, and business manager/general manager should all sign off

the report and resolve the issue. The floor safety personnel or the personnel in charge of the floor safety from the safety related department should verify the implementation of the proposed improvement after the incident. In addition, all business units should use the incident as an opportunity for education and training to increase the safety awareness of all employees to prevent future incidents. In 2014, all mills and business units in APP-China reported a total of 1,445.38 lost hours per million working hours due to workplace injuries.

In April 2014, an employee at Suzhou Gold Hongye fell to his death at work. In order to prevent the similar incident from happening again, Suzhou Gold Hongye immediately launched an investigation, improved management of operating procedures, increased the frequency

of inspection of safety equipment, and conducted safety training to better protect the employees.

2012-2014 APP-China Lost Hours per Million Working Hours



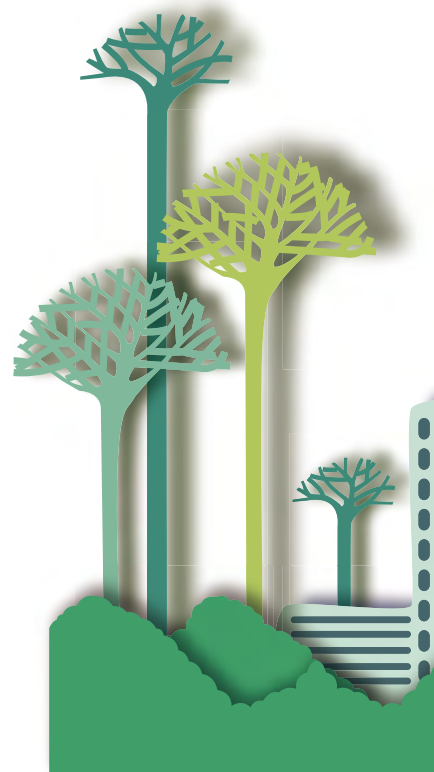
\*In 2014, the lost hours per million working hours shows a significant increase due to differences in scope and method of calculation.

## Prevention of Occupational Disease

APP-China actively monitors factors that may cause occupational disease on an annual basis. All personnel, especially those who work in areas with monitored hazardous factors exceeding desired limits, are required to be equipped with protective gear to prevent the exposure to hazards

and, therefore, control the exposure associated with occupational diseases. One of the key areas of job safety inspection is to make sure all protective gear is worn correctly. Special physicals for personnel exposed to occupational hazard shall be provided free of charge. A complete personnel

healthcare record system shall be established to track developments on each individual. Employees who have high risk of developing occupational diseases should be transferred to other suitable positions.



APP

### Theme Seminars by Forestry Department - Value Life, Value Health



Guangdong employees in CPR training courses



Trainer went into details about prevention of occupational diseases through demonstration

On November 14th, 2014, the Forestry Department invited Mr. Pan Yaoming from Guangdong Province Public Healthcare Service Center to hold a seminar titled "Value Life, Value Health". Mr. Pan, conducted trainings on general safety knowledge, CPR procedures in case of an emergency, and basic knowledge in prevention of occupational diseases.

Mr. Pan's training course was hands-on. He integrated abstract knowledge into employees' practical operation to make the course vivid and easy to understand. The training effectively raised the safety awareness of the employees and helped them grasp general knowledge on CPR and prevention of occupational diseases.



## Human Rights and Labor

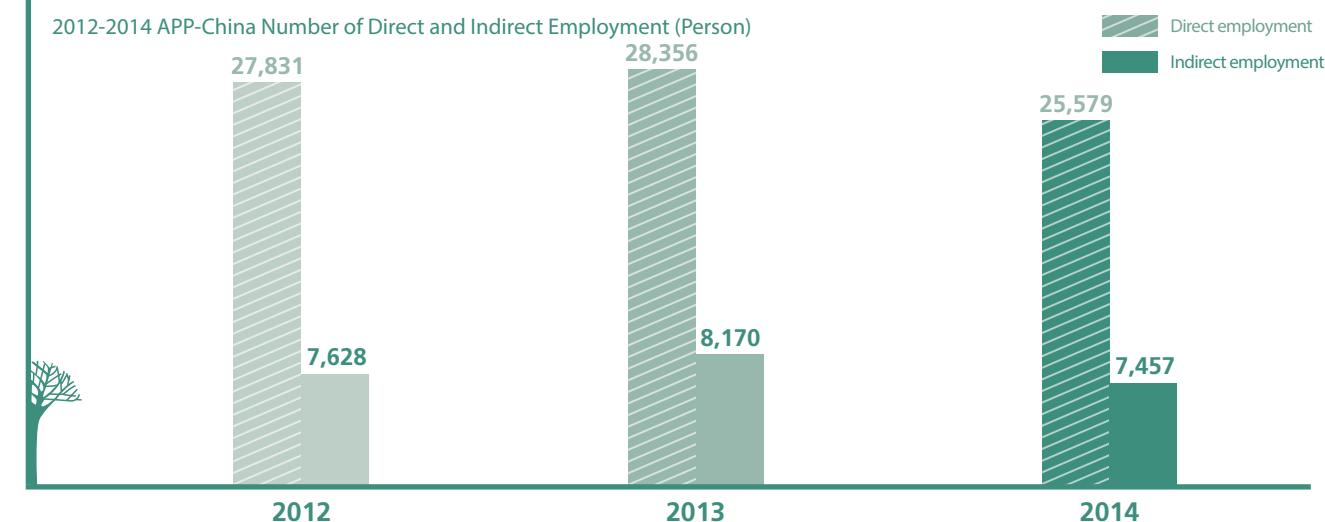


### Work Environment

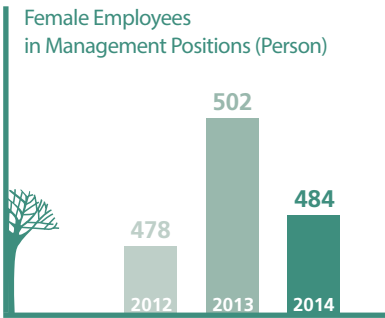
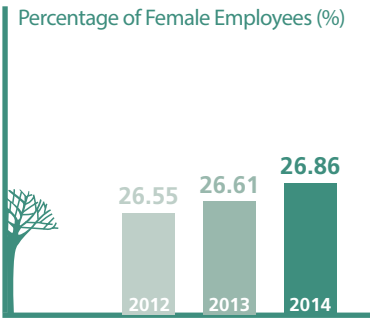
**Employees are the basic elements of the operation of a company. APP-China has excelled in the areas of employee incentives and employee retention, especially on front line operators, which enables APP-China to maintain its edge in the highly competitive environment. The industry we are in is technology intensive and talent intensive. APP-China has always adhered to the employee-oriented policies to listen to the wants and needs of the employees, invested heavily in employee empowerment and talent development, established a scientific career development system and a people oriented compensation system, and provided competitive compensation packages and systematic talent management to create a happy work environment for all employees.**

APP-China gives top priority to equal rights of all employees in the areas of recruitment, remuneration, training, career advancement, and dismissal. APP-China is committed to eliminate discrimination on the basis of sex, ethnic backgrounds, religion, age, political belief, and all other forms of discrimination. All employees enjoy the same access to due rights and fair opportunities at work. APP-China has also implemented the policy of diversified workforce. The "Labor Law of the People's Republic of China", "Law of People's Republic of China on Employment Contracts", "The Trade Union Law of the People's Republic of China" and all other laws and regulations regarding foreign invested companies are strictly observed and followed in the areas of human resource management and employment contracts. Employment of child labor and forced labor are strictly prohibited. APP-China has also conducted regular training sessions on issues related to employment laws to increase the legal awareness of the employees to protect themselves, and ensure all employment and human rights related laws and regulations are implemented without any compromise.

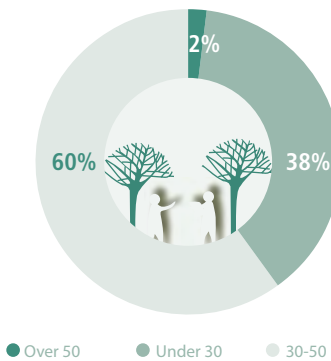
By December 31st, 2014, APP-China has employed a total of 33,036 employees throughout all business units covered under this report, with 25,579 employees directly employed by APP-China, and 7,457 indirect employees. Among those employees who are under directly employment by APP-China, 1,744 are foreign nationals or of ethnic minorities, 6,871 are female, which accounted for 6.81% and 26.86% of the total employees under direct employment respectively. Female employees account for 484 of the management positions, which represent 21.64% of the total management positions. In 2014, about 87.88% of the employees at APP-China returned from maternity leave/or caring for someone on maternity leave. A total of 24,417 employees joined the trade union, accounting for 95.46% of total employees under direct employment.



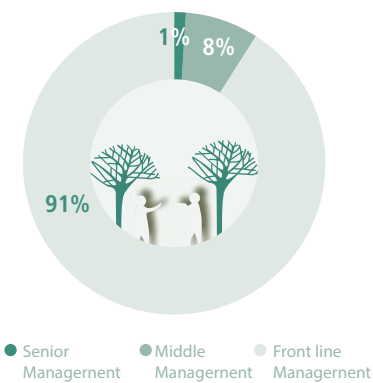
\*In 2014, the number of employees under direct employment changed significantly due to the change in scope of calculation



2014 APP-China Age Structure



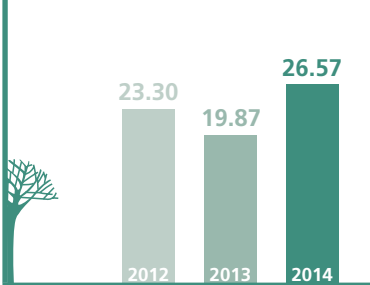
2014 APP-China Structure by Levels



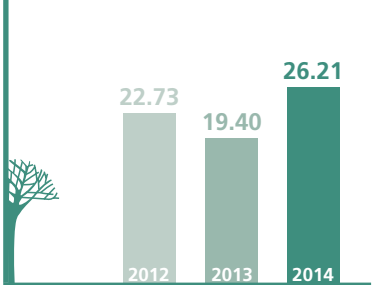
2014 APP-China Retention after Maternity Leave (Person)



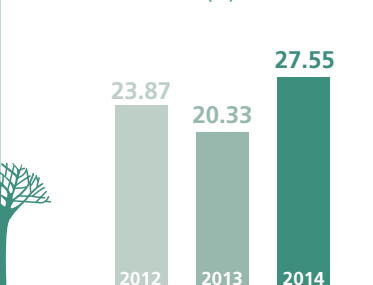
Employee Turnover Rate(%)



Male Turnover Rate(%)



Female Turnover Rate(%)



Career Development

Employees are the foundation of a company. Improving the overall competency of the workforce ensures the long term development and growth of the company. APP-China recognizes the importance of career development for all employees, and established a career development system and training plans, which align with company objectives and strategy. APP-China has held a series of diversified internal and external

career development related training programs. Meanwhile, the company also encourages its employees to participate in diploma based or certification based training and education programs on their own. An online training program has been launched in the company to provide a platform for employees to access new knowledge and expand their capabilities, and to increase the overall competence of the workforce.

In 2014, APP-China has invested over 8.0421 million RMB in the area of career development and continuous education for the employees.

In 2014, investment on career development and continuous education

8.04 million RMB

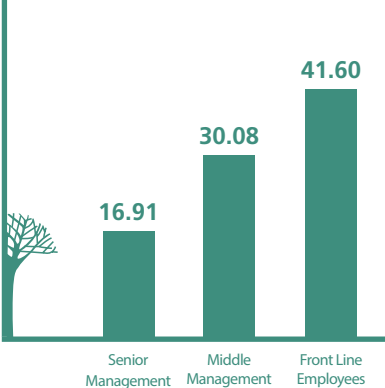
	Unit	2012	2013	2014
Total Expenses in Training	RMB 10,000	1,134.53	825.79	793.05
Total Time Spent on Training	Hour	1,260,223	960,567.9	1,035,031.72
Number of Employees Sponsored by Company in Pursuit of Degree Study	Person	65	48	73
Company Sponsorship Funds for Employees in Pursuit of Degree Study	RMB 10,000	53.43	30.91	11.16

Gold Huasheng Pays for Employee's Part-time Continuous Education Program

Gold Huasheng recognizes that to a successful company, technology is the base, innovation is the soul, and people are the foundation of all. It has always considered human resource as the foundation for the company's past, present and future, as well as its source of competitive advantage. In order to enhance the overall competence of the workforce, Gold Huasheng has developed "Regulations on Managing Employee Continuous Education Initiatives" to encourage and support the employees to participate in a variety of part time continuous education programs, and

provide tuition reimbursement programs for those who have successfully completed the programs. Gold Huasheng has also established a partnership with Nanjing University of Science and Technology and offer a two-year mechatronics online course. The employees are encouraged to apply, take entrance exams and participate. In 2014, Gold Huasheng has sponsored 52 employees to take diploma based continuous education courses. Since 2008, 131 employees have successfully obtained diplomas and certificates upon completion of their programs.

2014 APP-China Average Training Hour







### ACF Conduct Training on Logging and Logistics

From Dec 10-12, 2014, ACF conducted a logging and logistics related training course onsite at Qionghai. The trainer has illustrated general knowledge on forest-road planning, contractor management, logging and logistics, as well as potential issues associated with the characteristics of the location of the forest, and issues in transportation process. The participants were presented with common issues in

our business through lectures interactive activities, and group discussions. The participants gained new perspectives through summarizing their newly learnt knowledge and were allowed to propose suggestions in the future to help resolve problems in the areas of quality control, and site management.



### Communications with Employees

Smooth communication in a company can help to stimulate employees as well as to improve management and be more people-oriented. APP-China respects each and every employee's right to communicate and file appeals over a variety of issues. When the employees have encountered any circumstances that they feel their rights are being violated, or have any complaints to file, they can communicate and report their concerns to HR department or executives through telephone, an online system, a

drop box at the GM's office, or sending e-mails to a dedicated anti-corruption e-mail account. The HR department will investigate any allegations and generate a report on the result of the investigation.

In 2014, there were no complaints, petitions or reporting related to forced labor and discrimination of employment practices.



### Two-way Communication Sessions at Gold Hongye at Suzhou

At Gold Hongye Suzhou, on a monthly basis, the management holds a two-way communication session between employees and executives to create a direct communication channel for both parties, where the company's vision, plans and objectives are communicated to the employees and the issues concerns and questions of the employees are addressed. The executives can listen to the employees directly and solve their problems related to their work and family life. The HR will log all the problems and concerns

employees raised at the meeting and pass them to departments responsible for solutions. A formal written report on the issue and proposed solutions by relevant departments will be prepared by the HR department and submitted to the department and employees for review within 5 working days after the two-way communication meeting. In 2014, Gold Hongye held 39 such meetings with 1,837 participants.



In 2014  
**1,837** persons  
participated **39** such meetings.



### Guangxi Jingui Pulp Came Up with Concrete Solutions for Employees' Children Schooling Problems

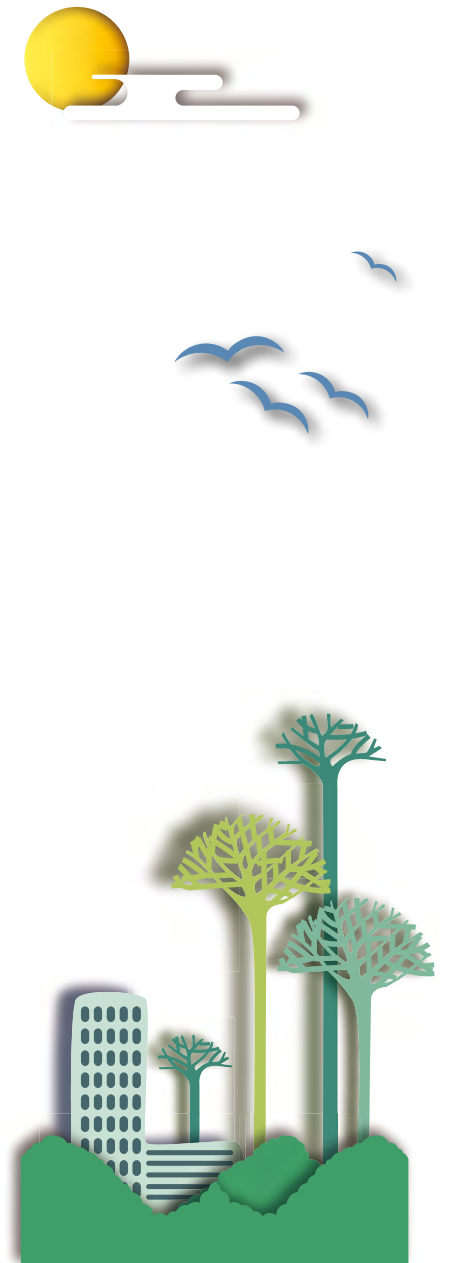
At Guangxi Jingui, the general manager hosts regular communication meetings with employees to listen to their voices, to have candid conversations with them, and to build up a stronger corporate culture. In April 2014, some out of town employees reported having problems of getting their children admitted to local schools. The company tallied up all employees with such problem, with assistance from senior managers, designated staff was arranged

to work closely with and get supports from the Qinzhou Port Management Committee as well as other authorities and government agencies of Qinzhou port. In the end, they successfully helped the children of 14 employees get admitted to local schools.

### APP-China's Outward Bound Activities -- Conquer the Hurdles on the Road Together

Outward bound activities are great for improving communications between employees, departments and the cohesiveness of the team, boosting morale of the employees, and building a more passionate and more resilient team. In 2014, APP-China organized a 3-day outward bound activity at Yushan for employees from headquarters. The theme of the activity was "Challenging Limits, Pursuing Perfection, Uniting Team,

and Making History". Sixty employees were divided into 6 groups to go through organized drilling and hiking through the mountain trails. They competed with each other and had a variety of group activities. The employees had a fun-filled 3-day experience. They all bonded with each other and had a deeper understanding of the company's mission and a stronger sense of responsibilities.



Employee Compensation and Benefits

APP-China head office issues general guidelines on employee compensations. All pulp mills and other business units are responsible for developing their own competitive compensation packages based on their own operations and contributions of the employees. APP-China abides by all national and local laws and regulations and purchases unemployment insurance, basic medical insurance, work injuries insurance, and maternity insurance, and provides individual housing funds for all employees. The compensation levels of all business units under APP-China are at or above industry average, complying with the minimum wage requirement of local governments. All employees of APP-China are guaranteed a decent local living standard. In 2014, APP-China has realized 100% social security insurance coverage for all employees under direct employment with the company.

In addition, APP-China has also paid for supplementary commercial insurance for all employees under direct employment. The coverage rate reached 100%. The Pulp mills and other business units under APP-China also hand out bonus and/or other gifts on special occasions such as the employees' birthdays, wedding anniversaries, public holidays, and when the employees get sick, etc. A variety of activities such as table tennis competitions, sports meets, soccer games and other entertainment activities are held regularly to improve employees leisure lives in order to develop a stronger sense of belonging for the employees.

Community and Charity

As an integral part of social development, the healthy growth of a company is closely related to the sustainable development of society. Ever since APP came into China, we always adhere to the concept of the corporate citizenship, to become more competitive, create more job opportunities and promote development of the local economy. We also commit to concentrate on product quality, innovation and wider variety of products. As subscribed to the concept of "reverse way of thinking" from customers' perspective and adhere to the market oriented approach, we diligently promote our service quality, strengthen service awareness, and ensure all complaints are dealt seriously and promptly, to make sure our customers' benefits can be maximized. We also establish communication and corporation with local communities, create "Harmonious Communities" while proactively participate social charity and care vulnerable groups to share our success with the local communities.



Regional Development

The paper industry not only provides necessary products for our daily life, also serves to boost the local economy through driving the development of both upstream and downstream businesses on the value chain. While our company develops rapidly, we have also provided

a large number of local employment opportunities to improve the local employment market, raise the income level of local residents and lend our helping hands to the development of the local economy.

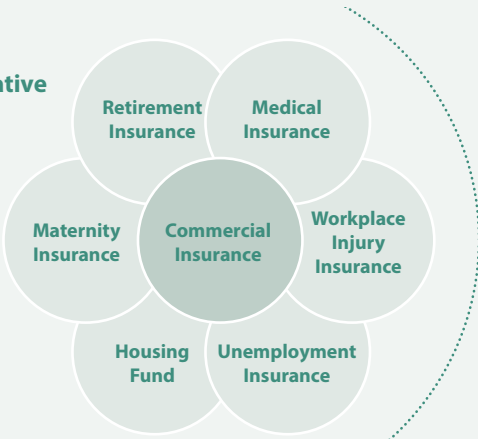
2012-2014 APP-China Statistics on Employee Localization

	Unit	2012	2013	2014
Number of local employees	Person	16,878	17,190	16,897
Percentage of local employees	%	65.18	64.96	66.06



Hainan Jinhai's Talent Retention Initiative

Hainan Jinhai continues to implement its talent retention initiative. In addition to the mandatory 5 insurance coverages and housing funds required by the state laws and regulations, Jinhai implemented the supplemental insurance policies that provide 5 additional benefits for employees as part of their talent retention effort. They give out bonuses on employees' birthdays, wedding anniversaries, family funerals, sickness and special funds for families in financial stress. All of the efforts serve the talent retention objective, and demonstrate their people-oriented policies.



- Birthday Bonus
- Funds for Special Occasions
- Wedding Bonus
- Funds for Sickness
- Special Financial Assistance

Hainan Jinhai also cares about the education of the children of its employees. In 2014, a new policy "Regulations on Scholarships to Children of the Employees" was established. The first batch of scholarships was awarded at the end of the 2014.



Realize Your Dreams on "Paper", APP-China Supports the Pioneering and Employment of Disadvantaged Group

On May 6th, 2014, the "APP Lord of Paper Eco-Friendly Assistance Plan"(hereinafter referred as "Lord of Paper" project) was held in Beijing. The project was organized by Qicaiyun, a social work office of Chaoyang District,Beijing, and jointly sponsored by the Industrial Paper BU of APP-China and Huang Yicong Foundation. This project centers on recycling paper. It encourages disadvantaged groups in the community to participate in paper recycling. This is a brand new participative business model that aims to increase the awareness of the concept of paper recycling, and at the same time, provide assistance to the disadvantaged groups in the community and encourage their entrepreneurship.

APP-China has provided recycling channels, technical assistance in the process of paper recycling, and 300,000 RMB of seed money to start a business. The Qicaijun neighborhood office was responsible for providing training and guidance to the entrepreneur team in the incubation period. This project has also received support from the local government and other companies as well. During the first phase of the program in 2014-2015, we recycled paper more than 133.8 tons, covering six streets as Heping Street in Chaoyang District, Chaowai, Zuojiazhuang, Daitou, Fatou, Tiyouguan, and Longtan. It is expected that the Lord of Paper project will transform itself from a receiver of help to a giver in the near future. It will take out 10% of its net profit annually to help other disadvantaged groups in the community which will effectively help the local economy.

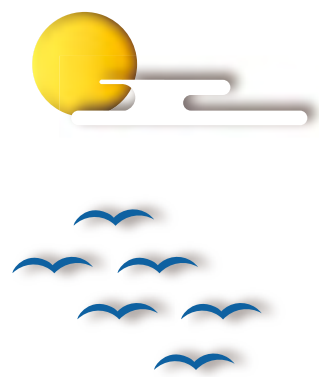


APP-China provided seed money of  
**300,000** RMB

First phase recycled paper about  
**133.8** tons







Product Service

Product quality is of vital importance to a company. In the process of globalization, the paper industry is becoming increasingly competitive. To excel in this competitive environment, innovation of product diversity, improvement of service quality, and development of service-oriented mindsets are essential

Product Innovation

In order to maintain our competitive edge in this competitive environment and stay one step ahead of the pack, APP-China proactively develops environment and customer firendly new products. We are committed to advancing production

for sustainable growth. APP-China views product quality as our lifeline. We safeguard the health and safety of customers via strict quality management. We take every complaint from our customers immediately and seriously to ensure that they can be served to the best of our abilities.

efficiency and product quality, and at the same time, minimizing the negative environmental and social impacts from our production, packaging, logistics and product usage.

APP  
Suzhou Gold Hongye Develops Innovative Kitchen Towel to Better Serve Customers and Protect Environment

The Kitchen is the place in a house that where is easily greasy and full of organic matters.Cleaning range hoods, gas stoves, sinks, dining table, and wall tiles often require harsh chemicals. Excessively use of chemical products often results in skin irritation and negative impacts to the environment.

Suzhou Gold Hongye has been actively pursuing innovation in products. In 2014, they successfully developed high effective degreasing wet wipe and high absorbing kitchen paper towel. The wet wipe contains eco-friendly APG degreasing ingredient which has already passed the national metal corrosion test and decontamination

test. It not only does not contain any skin irritating solvent, but also have added olive oil to pamper the skin of the user. The high absorbing paper towel is more absorbent than a regular paper towel, therefore use of such high absorbency paper towel can save a large amount of water consumption.

The Intellectual Property Management System was Certified at Gold East Paper

In November 2014, Gold East Paper has become one of the first groups of companies with a certified Intellectual Property Management System, which means Gold East Paper's Intellectual Property (IP) Management system now fully complies with the "Enterprise Intellectual Property Management Standard" (GB/T29490-2013) and that it is capable of managing intellectual property related issues associated with R&D, production and sale of pulp, paper, card boards, paper products, photo papers for medical imaging and chemical (excluding hazardous chemicals) . The certification has provided company with additional support in the area of IP protection. It helps company to set up a systematic, scientific, and standardized way to manage its IP, and elevate the awareness of IP protection to a

new level, which in turn provide additional impetus for company to grow. By the end of 2014, Gold East Paper has been awarded 148 Chinese patents, including 40 patents awarded for new inventions, 99 awarded for practical innovations, and 9 awarded for designs.

"Enterprise Intellectual Property Management Standard" (GB/T29490-2013) represents national standards drafted by State Intellectual Property Office. The objective is to help companies to standardize their management system for Intellectual properties and implement the system throughout the company's operation. All aspects of IP from filing , awarding, maintenance, utilization, and protection can be guided under the standard. Companies with

the certified management system can be more competitive both domestically and internationally and achieve more sustainable growth. This certification designation was awarded by a third party agency to certify that the internal management system of an organization fully complies with the requirements set by the authority. The IP management certification helps to further improve the intellectual property systems throughout the country and help to improve Chinese companies to be more innovative, more capable and more competitive. It is a crucial step in achieving sustainable development.



Product Quality

To provide excellent service and product quality is the foundation of sustainable growth for a company. APP-China has established a quality management platform based on ISO9001 requirements, and all pulp mills and business units developed performance evaluation and safeguard measures of product quality and safety based on their own operations and products. Quality laboratories are established

for tests needed for raw materials, raw paper, and semi-finished product to finished product throughout the whole production cycle, so as to guarantee the quality and safety of the products and to serve the needs of our consumers.

In July 2014, the tested papers from the labs at Hainan Gold Hongye, at Hainan Gold Shengpu, and at Jinhai all passed the tensile strength and flexibility inspections of household papers by State Quality Inspection Center with "satisfactory" ratings, which indicated that all three labs have complied with the requirements to perform tests.

APP  
Gold Huasheng Improved the Product Appearance through Collaboration

Quality is always the priority at Gold Huasheng. Since 2012, Gold Huasheng has been conducting QC inspections with an internal auditing system in place to minimize the quality problems. However, the customer complaint rate remained high after two years implementation of inspection. In 2013, customer complaint rate even reached as high as 0.499%. In depth analysis of the customer complaint data showed that problems such as punctured holes on paper, missed coating, misaligned cuts and other issues in appearance were frequent complaints, which the company's reputation was compromised.

In order to reduce number of customer complaints and improve customer experience, Gold Huasheng has established a special task force involving quality assurance, customer service and other departments to focus on problems of product appearance in collaboration with all production units. Based on the analyses of customer complaint data from the 2nd half of 2013, the task force has identified 9 areas with 27 product improvements. After the implementation of the projects, customer complaint associated with warranty claim on product appearance has been reduced by 52%, beating the goal of 50% reduction. In addition to the achievement, the company also rewarded employees involved in 4 projects which have achieved the pre-

determined objectives in six consecutive months with a cash bonus. And employees of 9 projects who reached the pre-determined objectives in 3 consecutive months were awarded recognitions from HR department.The rewards were given to the front line employees to achieve maximum motivation.

In 2014, Gold Huasheng significantly improved the product appearance and successfully reduced the customer complaint ratio to 0.222% .



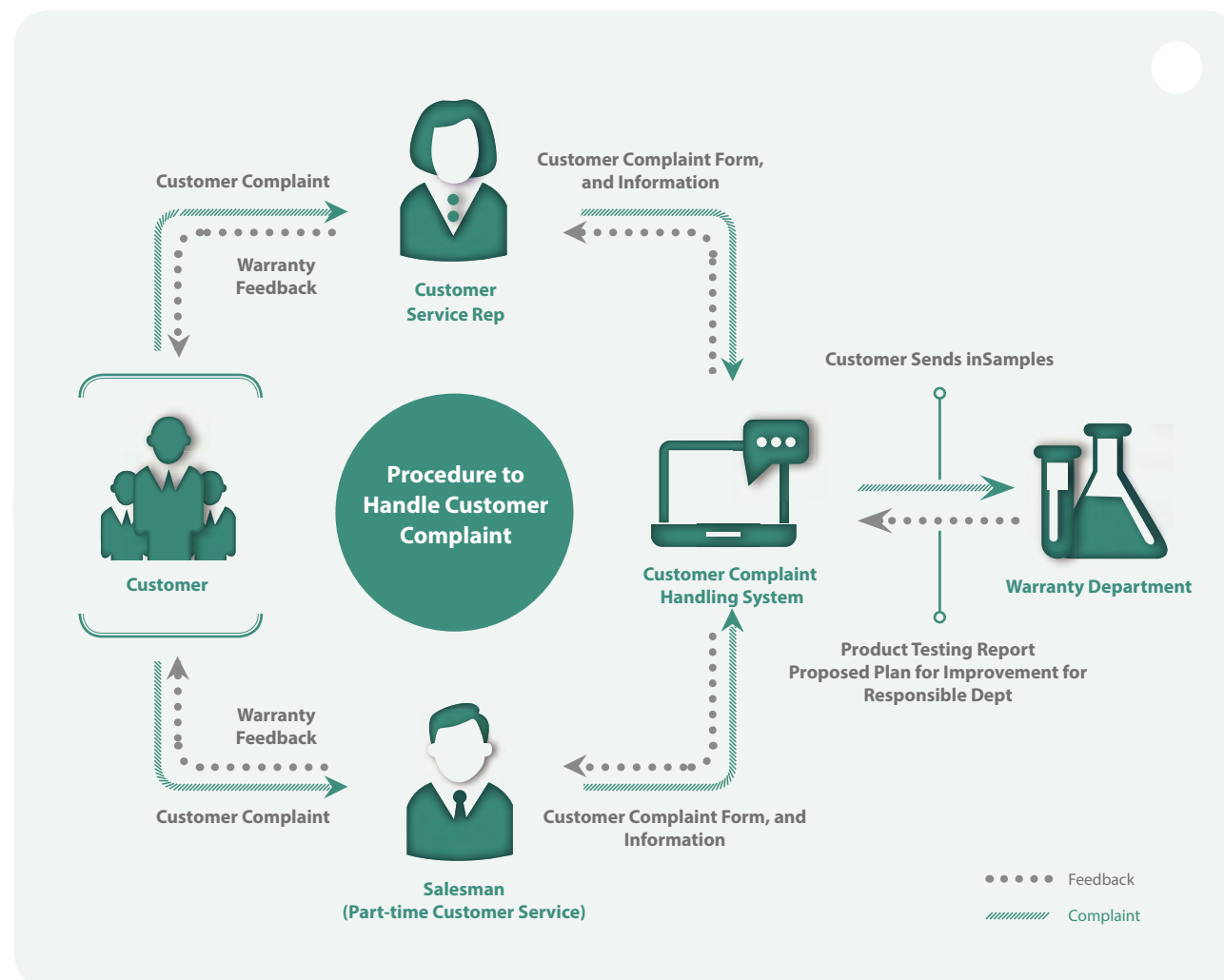


## Service Excellence

In addition to providing quality products to our customers, APP-China continues to strengthen customer relations and a customer claim disposition procedure has been established. APP-China provides multiple channels for customers to report any complaints, suggestions and feedbacks to us or directly to business units through 800 toll free hotlines, fax, email, and contact with salesmen or local customer

service specialists. For both corporate customers and individual customers, Suzhou Gold Hongye pays close attention to complaints from Wechat and Weibo to collect feedbacks from customers as much as possible. APP-China pulp mills and business units will resolve all complaints from our products speedily and effectively. Analyses will be performed on customer complaint data to determine the root causes of the

problem and solutions will be provided to prevent the problem from happening again in order to improve customers' overall experience. In addition to what we have done, all pulp mills and other organizations covered in this report also perform customer satisfaction surveys to improve our quality management system based on the result of the surveys to meet or exceed the current and future expectations of our customers.



In 2014, APP-China invited Prof. Han, one of the forerunners in the area of customer satisfaction in China, to conduct a two day training course for 17 employees responsible for customer satisfaction in all 6 business units including Gold East Paper, Jinhai Pulp, Gold Huasheng, Ningbo Zhonghua, Guangxi Jingui Pulp,

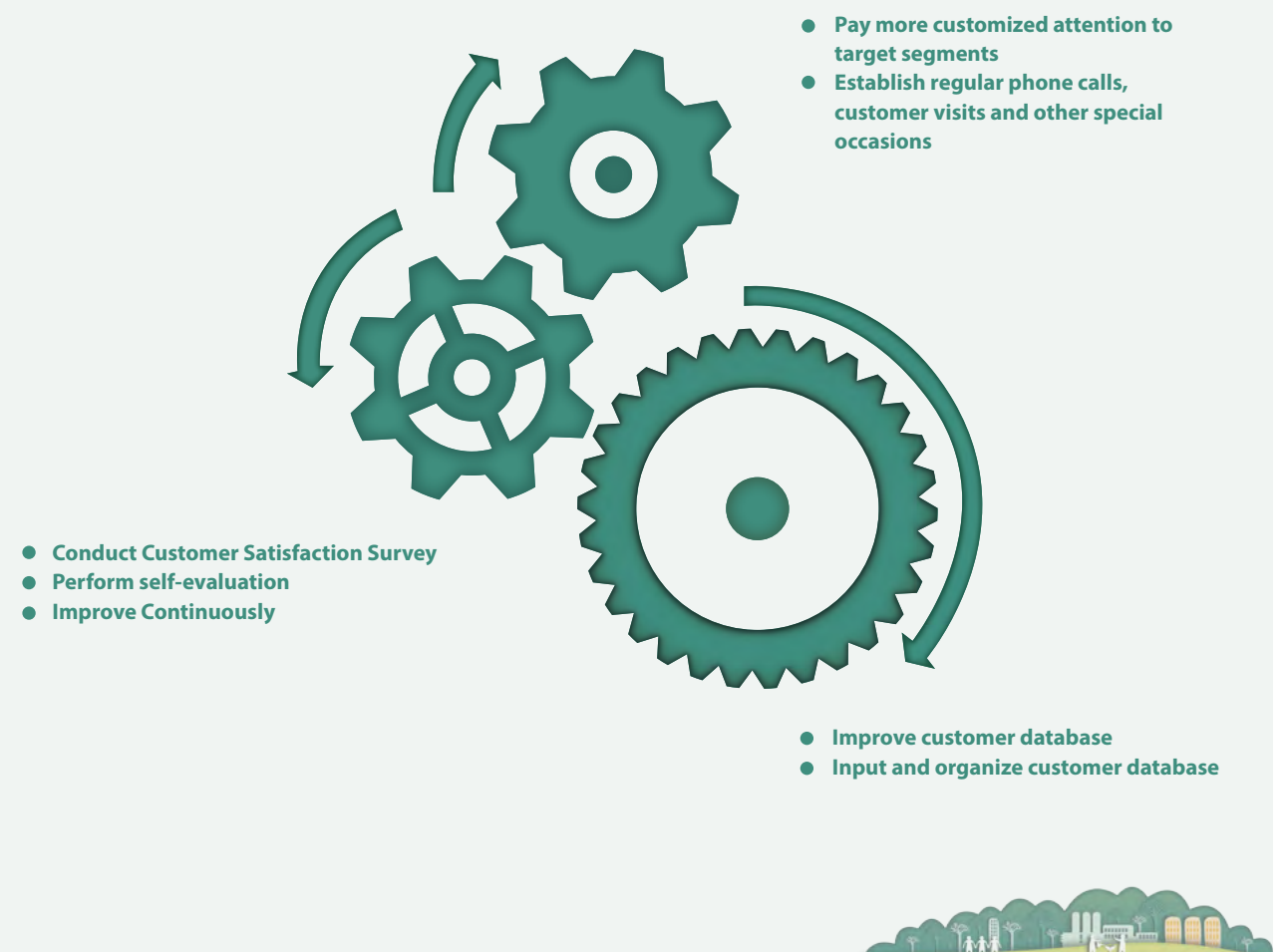
and Gold Hongye. His training course covered the latest trends in customer satisfaction action, the components of customer satisfaction calculation and how to interpret customer satisfaction data, ultimately to elevate our customers overall experience.



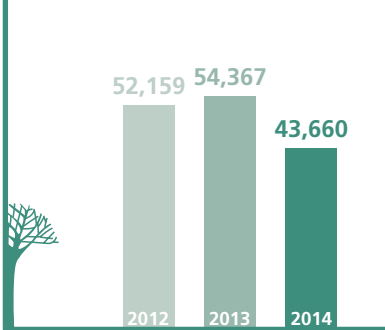
## Hainan Jinhai Pulp Maintains Customer Relations through Intimate Service

"It is not easy to get one customer while it is easy to lose one." At Hainan Jinhai, a customer database has been established to track their historical purchasing data,

which is analyzed to provide more customized services. Customer satisfaction surveys were conducted to improve customer relations.



2012-2014 APP-China  
Volunteer hours (Person-Hour)



## Community Involvement

The growth of the company cannot be achieved without community support. APP-China is rooted in the local community and actively involved with local community. While creating economic benefits for local community, APP-China also works closely with local community to improve the relationship by closely monitoring the environmental impacts company may have. In order to make sure that the business activities can bring positive impacts on local communities, APP-China has increased

its efforts to participate in the economic development of local community. Company continuously improve communication and protect the legal rights of local residents. The employees of APP-China are encouraged to do volunteer works for local community, establishing long term strategic alliances and Harmonious Community.



### Show Our Love and Support Local Community through Neighborhood Watch Programs

Since 2011, Gold Huasheng has established a one-of-a-kind neighborhood watch program in response to the fact that local police force has been stretched thin to help maintain neighborhood safety and stability. After much trial and errors, the neighborhood watch program has evolved into a very comprehensive integrated model with designated people at designated posts. The volunteers not only patrol the neighborhood, but also take up the responsibility of counseling families, registering personal information, providing

guidance, explaining laws and regulations to local residents, and assisting with general police work. In order to continue providing effective volunteer assistance to local police force, Gold Huasheng arranges employees to volunteer 3 times a week with over 20 participants. As the program becomes more mature, more and more employees join the program with a more professional attitude. By the end of 2014, employees from Gold Hongye have provided over 14,000 volunteer person-time for the community.

### "Jingguang Joy of Reading" at Yuxia, Shanxi Province -- Let Reading be Fun on the Campus

On April 15, 2014, the "Jingguang Joy of Reading" event was unveiled at Yuxia Middle School. The campaign was sponsored by the Huang Yicong Foundation and fully supported by APP-China. The "Jingguang Joy of Reading" campaign has been held in Gansu, Hebei, Sichuan, Inner Mongolia and Fujian provinces since 2009. The Xi'an Overseas Chinese Affairs Office and the Foundation screened many schools and identified Yuxia Middle School and its 4 affiliated schools in Dongtun, Luoshi, Shanyin and Xitun to

be the first pilots in 2014 campaign. The foundation not only donated books, but also pledged to support the Joy of Reading activities for at least 1 year aiming to make reading as part of the students' daily routine.

There have been a total number of 75,503 students benefitted from the "Jingguang Joy of Reading" for six years. In the future, the campaign will be brought to more schools in remote areas of China to allow more students to enjoy the fun of reading.

The number of students benefiting from the "Jingguang Joy of Reading" was

**75,503** person



### Gold East Paper Encourages Employees to Volunteer for Local Community by Establishing a "Volunteer Platform"

Gold East Paper has always practiced the "good neighbor" policy and its corporate social responsibility to give back to local communities since the beginning. It has encouraged its employees to volunteer for local community and has achieved a 100% volunteer rate among all employees. In 2008, Gold East Paper has published its corporate policy "Regulations on Volunteer Activities". The policy has included a series of incentive measures associated with employees' internal promotion opportunities, and criteria for awards to excellent employees. The policy involves 8 hours per year of volunteer work as a mandatory criteria in the performance evaluations for all management personnel above the level of deputy chief. The policy also calls for administrative commendations to top 3 departments which experienced the fastest growth in participation of volunteer work and top 10 employees with the longest

volunteer hours. These steps have greatly incentivized employees to be more participative in volunteer works. The company has established an online platform to accommodate all volunteer work related details from signing up and offline participation to feedback and comments of volunteer work. Based on the requests of employees, 14 volunteer programs under 7 services have been set up in surrounding communities including welfare hospital, regular hospital, 120 emergency responses, train station, street patrol, assistance center for the disabled and museum. The employees can choose from a wide variety of volunteer works. The company's internal publication "Space Shuttle" has done a great effort to promote volunteer works. It regularly publishes articles and stories written by employees to encourage employees to spread the stories about volunteer work, and spread the spirits of volunteer work.

A series of incentive measures has strongly encouraged employees to participate in volunteer works. The volunteer participation rate has increased from the initial 19% to the current 158%. By the end of 2014, 45,514 volunteer person have been recorded with total of 320,704 volunteer hours. The company has achieved the goal that "everybody volunteers at Gold East Paper".





**"Games with Papers"**  
-- Gold Hongye's Environment Protection Classes in Community Kindergartens



On April, 29th, 2014, volunteers from Gold Hongye came to Jinhuwan Kindergarten to provide kids a fun-filled and game-filled class on environment protection. The volunteers taught more than 300 kids from 11 classes about knowledge of facial tissues, toilet papers, paper towels and the health hazard of fluorescent agents. They also taught the kids how paper was invented in China to help them to understand Chinese heritage. In the class, with participation of the children, the volunteers performed 3 laboratories illustrating the health hazards caused by fluorescent agents, the differences between papers, and the surface strength of different papers. The children had a

hands-on lab experience while learning valuable in depth knowledge about papers. The educational program was a complete success, which helped to instill the concept of environment protection in the kids at a very young age and enabled them to learn knowledge about papers and personal health in an exciting measure.

This project at Jinhuwan was a great start. The volunteers from Gold Hongye also passionately brought their love and knowledge to other kindergartens such as Double Pagoda Kindergarten, Shengpu Langhua Kindergarten, Dushu Lake Kindergarten, and Wusong Kindergarten.



APP-China unit works closely with surrounding farmers on issues related to forest grounds. In order to reduce disputes and disagreements with surrounding farmers, APP-China has developed "Policy on Contracting Outside Labor", to recognize and respect the rights and interests of surrounding residents based on the principle of "Free-will, Pre-notification, Information Disclosure, and Consent" (FPIC). APP-China has published working procedures based on the FPIC principles to provide guidance when communicating with ethnic minority groups and local community representatives over issues concerning leasing land from the local community and safeguarding the rights and interests of the local residents. APP-China Forestry BU issued FPIC principles

document, which detailed the applications of FPIC principles in communicating with local community, protecting local traditional rights, all stages of business operations from the production of forests, drafting and revising of contracts for land leasing. It has provided guidance for local representative offices to effectively communicate with local community that is directly affected by forestry business activities. In 2014, APP-China worked closely with The Forest Trust from UK and established a management system for social issues. A conflict/dispute resolution mechanism has been introduced to sort through all disputes and provide more specific solutions.



**Free, Prior and Informed Consent (FPIC) Principles**

**1. Identify local community, ethnic minority groups and their representative organizations/agents**

- 1) Identify ethnic minorities around the forest ground; perform analysis to determine whether the logging activities will infringe upon the rights of those groups, and/or bring about any potential negative impacts over the natural resource and land.
- 2) Identify the representative body/agency of the ethnic minority groups and achieve consensus to make sure that the relatives participate in the decision making process which may affect their personal interest. When signing or amending a contract, 2/3 of the majority approval of the representatives is required.
- 3) The representatives of the stakeholders should be informed of the issues at stake, or potential factors that may affect the interest of the ethnic minority groups in an appropriate form to enable them to make decisions on whether they want to be part of it. For institutional zones/operation areas, it should be clearly stated that the community has the rights to negotiate and veto.
- 4) To those communities that decide to participate, follow-up procedures to get community fully involved should be planned.
- 5) To those communities that opt out of our business activities, institutional zones/operation areas should not conduct any activities may affect these communities.

**2. Prepare Community Participation Mechanism**

- 1) A stakeholders working group should be formed with members from local communities and other NGOs (if possible, the local authorities should also be invited)
- 2) An internal working group should be formed to deal with social issues. All members should receive proper training to make sure they are competent to handle relevant issues.
- 3) Reach consensus with community representatives and identify members of working group to ensure the full implementation of the FPIC principle.
- 4) Develop communication mechanism to ensure smooth communication among all stakeholders.
- 5) Clarify in detail all areas in operation that may potentially affect local community.
- 6) Develop a realistic and practical timeline with a budget to ensure implementation of FPIC principles.

**3. Identify and assess potential impacts that the forestry operation may have on the local community resources and land use**

- 1) Make sure the representative responsible for identifying community issues have enough time, knowledge, necessary training and skills for the position.
- 2) Adopt participative mapping method (or other comparable effective method) to demonstrate any potential impacts on the community in term of land use, resources and rights (the mapping is optional if so otherwise desired by the local community).
  - Traditional and regulatory rights and obligations ;
  - Traditional rights under the law to acquire and use the forest resource and access the ecological system service;
  - The right to the traditional knowledge of local community;
  - The proof of supporting such rights and obligations, such as certificates and/or other documents;
  - The business activities in accordance with what the community's wishes and desires;
- 3) The involvement of all parties to work together for solutions when disputes and conflicts arise from identification process;
- 4) The modification of business plan based on the results of identification process;
- 5) The usage of an open participative format to evaluate potential social that impacts forestry operation may have on the community.

**4. Inform the business operation plan to local community and ethnic minority may be affected**

- 1) Modify the business operation plan based on the result of the participative assessment (listed in item 2).
- 2) Present all information regarding business operations to the affected local community in appropriate form, and allow them to make informed decisions on whether they want to continue working with us and proceed to discuss about more details.

**5. Start consultation and negotiation with the ethnic minority groups over the business operations affected their communities**

- 1) Make sure the community has adequate competence and proper decision making procedures to participate in such consultation and negotiation;
- 2) Consult and negotiate with the community in the following areas: minimization of the negative impact on the community, compensation mechanism for inevitable damages, benefits distribution mechanism, rights and obligations, as well as other legally and financially related matters;
- 3) Establish grievance mechanism as well as participative monitoring system;
- 4) Give the local community the right to participate in due discussing process about whether they want to be involved in business activities that may affect their community life.
- 5) An agreement shall be signed to obtain consent by the local community in order to use local knowledge that involves intellectual properties. The written agreement should be signed in accordance with FPIC to ensure the intellectual properties be protected and compensated.

**6. Reach consensus with local community and ethnic minority who are affected by the business activities, generate formal documents, and monitor the execution of the agreement**

- 1) Reach consensus with the affected community and formalize agreement in form of legal papers.
- 2) Assign independent mediator/observer or other independent organizations to review the execution of FPIC.
- 3) Execute the agreement and monitor its execution process.





Charitable Work

APP-China has been very active in charitable work such as disaster relief and building a green environment. APP-China has leveraged its capabilities to

fulfill its corporate social responsibility by supporting sustainable charitable work and giving back to the community.

APP  
"APP Internship at NPOs" in the Fifth Year



On September 5th, 2014, the APP Internship at NPOs, fully supported by APP-China and Huang Yicong Charitable Foundation, held a national level workshop at Shanghai with participants from 14 intern teams in Shanghai, Nanjing, Beijing and the Pearl River Delta area, to share with each other their intern experiences and achievements from this program.

APP Internship at NPOs intends to encourage college students to join local non-profit organizations in charitable volunteer work during the summer. The program has provided the students opportunities to deeply participate in charitable volunteer work. The students can benefit from the program by gaining valuable experiences, while promoting

charitable work in China. In the past 5 years, 171 passionate students from Shanghai, Nanjing, Beijing and the Pearl Delta area have participated in this program and volunteered their time and efforts for the great course of charity in China.

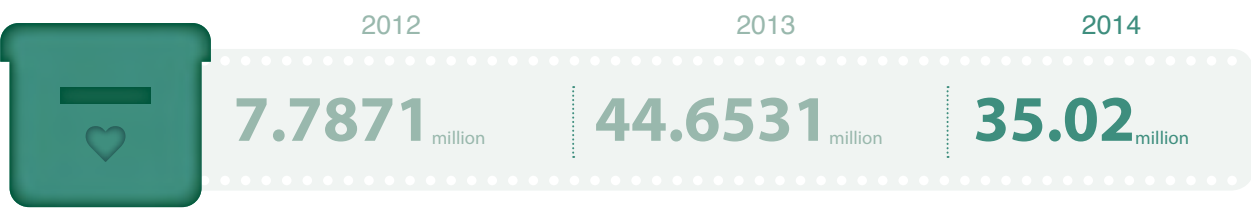
APP-China Donated an Equivalent of 15 Million RMB in Cash and Supplies to Earthquake Afflicted Areas in Yunnan

On August 11, 2014, an earthquake rated at 6.5 magnitude on the Richter scale hit the Ludian area in Yunnan. The help from all over China poured in. APP-China

immediately responded by donating 10 million RMB cash to the local government of Yunnan Province. Gold Hongye, a subsidiary of APP-China, also donated 5

million RMB worth of household paper to the earthquake afflicted area, lending a helping hand to the disaster relief and rebuilding effort.

2012-2014 APP-China Donations to the Public



Love Never Stops on "Paper"

September 2014, students in the Number 10 Elementary School at Longquanyi, Chengdu received heady gifts—the 1,650 colorful environmentally friendly paper cups from "Love your paper" program volunteers employees from APP(China). Last year, it was the same warm-hearted team that brought daily paper for a whole academic year, and trash cans and toilet roll boxes were placed in campus, which greatly improved the school's sanitary environment.

The slogan "Love your paper" was supported and sponsored by "The First Financial Daily", APP-China, and Huang Yicong Charitable Foundation in 2012, with the objectives to improve education in personal health and personal hygiene and the overall improvement of school environments, ultimately creating a clean and healthy environment especially in remote rural areas. The program has seen great results in cities in Hainan Province, Chengdu in Sichuan Province as well as in Shanghai, and has helped over 3,000 young students to improve their school environment, spreading the love from APP-

China. To follow up the progress of the program, APP-China regularly revisits the sponsored schools after donation activities to adjust donated products in response to the healthy needs of children.

In 2014, the program was launched in Qingdao. APP-China not only donated household paper products under its "Qingfeng" brand to the schools, but also organized a series of themed activities to help students form good habits.

Value Education and Growth of Students  
-- Hainan Jinhai Pulp & Paper Supports the Hainan College of Economics and Business

From March 4th to April 3rd 2014, students of the 2012 class from Hainan College of Economics and Business went to Hainan Jinhai Paper & Paper to start their 5-week rotation internship program. Through the intern program, the students could apply their textbook knowledge to work, gain valuable information about techniques, equipment and innovative technologies used in the pulp business, as well as knowledge regarding HR system, first aid procedures, firefighting, MBOS and 5S, covering 18 practical courses. Upon conclusion of the program, the pass rate was 100%. The rotation program allows the students to learn about the application of all technologies, how a company operates, and helps them to better adapt to a business environment in the future.

In addition to setting up joint programs with the college, Hainan Jinhai Pulp & Paper also started a Jinguang Scholarship for the Hainan College of Economics and Business. Every year, Hainan Jinhai Pulp & Paper contributes 200,000 RMB to fund the financially disadvantaged students with good grades to help them finish the study smoothly. The scholarships are funded through the Hainan Jinguang Foundation for Education and Environmental Protection for the fifth consecutive academic year. On May 22nd 2014, Hainan Jinhai Pulp & Paper has signed an agreement with the Hainan College of Economics and Business from the 2014-2015 academic year through the 2018-2019 academic year to continue providing scholarships to financially disadvantaged students with excellent grades.

The Hainan Jinguang Foundation for Education and Environmental Protection was initiated by Hainan Jinhai Pulp & Paper, focusing on supporting education and environmental protection. By the end of 2014, the foundation has already set up Jinguang Scholarship in many universities and colleges, including Hainan University and Hainan College of Economics and Business, providing assistance to financially disadvantaged students with excellent grades while continuing the support to higher education in Hainan Province.



Facts and Figures

Environmental Performance

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



Indicator	Unit	2014
Total investments in environmental protection	RMB 10,000	93,513.80
Total water usage	Ton	105,764,801
Wastewater treatment volume	Ton	107,303,657.70
Annual average wastewater discharge per unit of product (per ton of paper)	Ton	8.46
Annual average wastewater discharge per unit of product (per ton of pulp)	Ton	21.91
COD emission for each ton of paper produced	kg/t	0.276
COD emission for each ton of pulp produced	kg/t	1.54
Annual total SO2 emissions	Ton	5,409.87
Annual total NOx emissions	Ton	6,334.09

Economic Performance



Indicator	Unit	2014
Total assets	RMB 100 million	1,471.7
Total taxes paid	RMB 100 million	3.5
Sales revenues	RMB 100 million	442.5
Total profits	RMB 100 million	27.1
Net profits	RMB 100 million	20.6

Social Performance

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



Indicator	Unit	2014
Total number of directly employed staff	person	25,579
Percentage of male employees	%	73.14
Percentage of female employees	%	26.86
Total number of indirectly employed staff	person	7,457
Percentage of employees under 30 years old	%	37.61
Percentage of employees from 30 to 50 years old	%	60.59
Percentage of employees over 50 years old	%	1.81
Percentage of female in management team	%	21.64
Percentage of employees in senior management team	%	1.01
Percentage of employees in middle management team	%	7.74
Percentage of employees in front line	%	91.25
Total turnover rate	%	26.57
Male turnover rate	%	26.21
Female turnover rate	%	27.55
Number of female employees stayed after maternity leave	person	495
Number of male employees stayed after paternity leave	person	404
Number of female employees left after maternity leave	person	90
Number of male employees left after paternity leave	person	34
Total number of employees joining labor union	person	24417
Total number of fatalities at work and by occupational diseases	person	1
Hours lost per million working hours	hour	1,455.38
Total training costs	RMB 10,000	804.21
Total time spent on training	hour	1,035,031.72
Average training hours per person of senior management team	hour	16.91
Average training hours per person of middle mangement team	hour	30.08
Average training hours per person of front line employees	hour	41.60
Number of employees participating in company paid for diploma based continuous education program	person	73
Amount of money spent on employees participating in company paid for diploma based continuous education program	RMB 10,000	11.16

Note: Please refer to 2014 annual financial audit report of Sinar Mas Paper (China) Investment Co., Ltd for all of the financial data.



## Assurance Statement



### ASSURANCE STATEMENT

#### SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. SHANGHAI BRANCH'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SINAR MAS PAPER (CHINA) INVESTMENT CO., LTD.'S SUSTAINABILITY REPORT FOR 2014

##### 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 2014 SUSTAINABILITY REPORT (2014 Sustainability 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 2014 Sustainability Report. Assurance data and information are including APP-China Head Office, Gold East Paper (Jiangsu) Co., Ltd., Ningbo Zhonghua Paper Co., Ltd., Ningbo Asia Pulp & Paper Co., Ltd., Hainan Gold Hongye Paper Co., Ltd., Hainan Jinhai Pulp & Paper Co., Ltd., APP-China Forestry Business Headquarters and Hainan Business Unit, which were on-site assurance, as well as, Gold Huasheng Paper (Suzhou Industrial Park) Co., Ltd., Gold Hongye Paper Group Co., Ltd., Guangxi Jingui Pulp & Paper Co., Ltd., Hainan Gold Shengpu Paper Co., Ltd., Guangxi and Guangdong Business Units, and Lancang, Ganzhou, Wenshan and Henan Business Sub-Bus, which were off-site assurance. Data and information of other companies were not included in this assurance process.

The information in the 2014 Sustainability 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 2014 Sustainability 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.

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

- evaluation of content veracity; and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G4 2013).

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

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

##### STATEMENT OF INDEPENDENCE AND COMPETENCE

SGS is the world's leading inspection, verification, testing and certification company. With more than 80,000 employees, SGS operates a network of over 1,650 offices and laboratories around the world, providing the services includes the certification of management systems and services; quality, environmental, social and ethical 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 Assuror, SAI Registered SA8000 Lead Auditor, ISO 26000 Lead Assuror, CCAA Registered ISO 14001 Auditor and OHSAS 18001 Auditor, and Forestry Expert.

##### ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within 2014 Sustainability Report verified is accurate, reliable and provides a fair and balanced representation of APP-China's sustainability activities in 2014. The assurance team is of the opinion that the Report can be used by the Reporting Organization's Stakeholders.

In our opinion, APP-China has chosen an appropriate option for this stage in their reporting.

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

##### Materiality

APP-China has referred GRI G4 as a reporting standard, defining the material aspects with relative accuracy, as well as establishing the sustainability strategy and corporate social responsibility system. SGS believes that APP-China has a scientific and reasonable methodology to identify and analyze the materiality aspects of its sustainability, and completely disclose the materiality issues in the report. SGS recommends that APP-China could increase disclosure of how the Headquarters managing the economic, environmental and social impacts associated with the material aspects of subsidiaries to ensure that it has the ability to deal with the emergency related to sustainability happened in subsidiaries.

##### Stakeholder Inclusiveness

APP-China continues to communicate with the stakeholders through online and offline investigation and special communication meeting, which including employees, customers, consumers, community representatives, suppliers/contractors, industry associations, academic institutions, NGOs, media and banks, etc, comprehensively understanding of the concerns and expectations of the various stakeholders.

##### Responsiveness

APP-China has established the Sustainable Development and Corporate Social Responsibility Committee, and the report expanded by the functions of its five Work Commissions, namely Sustainability Forestry, Green Procurement, Environmental and Safety, Human Rights and Labor Relations, and Community and Charity. APP-China has established and executed the sustainability commitments and plans based on the context of sustainability in China, in order to respond to the key concerns of stakeholders. SGS recommends that APP-China could balance the disclosure of positive and negative events, response to stakeholder's concerns through disclosing the improvement measures of hot events.

##### Signed:

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

Ben Tsang  
Director, China and Hong Kong  
Systems and Services Certification  
3 July, 2015

B-11/F, No.900, Yishan Road, Xuhui District, Shanghai, P. R. China  
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GRI G4 Indicator Index

General Standard Disclosures		Page	External Assurance
Strategy and Analysis			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	5	√
Organizational Profile			
G4-3	Report the name of the organization	6	√
G4-4	Report the primary brands, products, and services	6	√
G4-5	Report the location of the organization's headquarters	6	√
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	6	√
G4-7	Report the nature of ownership and legal form	6	√
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	6	√
G4-9	Report the scale of the organization	6	√
G4-10	Report the statistics and classifications of the employees	42	√
G4-11	Report the percentage of total employees covered by collective bargaining agreements	41	√
G4-12	Describe the organization's supply chain	29	√
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	6	√
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	16	√
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	20	√
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization ·Holds a position on the governance body ·Participates in projects or committees ·Provides substantive funding beyond routine membership dues ·Views membership as strategic	11	√
Identified Material Aspects and Boundaries			
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents and report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	1	√
G4-18	Explain the process for defining the report content and the Aspect Boundaries and explain how the organization has implemented the Reporting Principles for Defining Report Content	1	√
G4-19	List all the material Aspects identified in the process for defining report content	21	√

G4-20	For each material Aspect, report the Aspect Boundary within the organization	21	√
General Standard Disclosures		Page	External Assurance
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	21	√
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	39,41,43	√
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	1	√
Stakeholder Engagement			
G4-24	Provide a list of stakeholder groups engaged by the organization	21	√
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	21	√
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	21	√
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	22	√
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	1	√
G4-29	Date of most recent previous report (if any)	1	√
G4-30	Reporting cycle (such as annual, biennial)	1	√
G4-31	Provide the contact point for questions regarding the report or its contents	64	√
G4-32	Report the 'in accordance' option the organization has chosen , report the GRI Content Index for the chosen option , and report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines	60	√
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. Report the relationship between the organization and the assurance providers and report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	60	√
Governance			
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	16	√
Ethics and Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	9	√

Specific Standard Disclosures		Page	Omissions	External Assurance
Category: Economic				
Indirect Economic Impacts				
G4-EC DMA		47	N/A	√
G4-EC7	Development and impact of infrastructure investments and services supported	47	N/A	√
G4-EC8	Significant indirect economic impacts, including the extent of impacts	47	N/A	√
Category: Environmental				
Energy				
G4-EN DMA		35	N/A	√
G4-EN3	Energy consumption within the organization	66	N/A	√
G4-EN4	Energy consumption outside of the organization	—	Did not disclose data	N/A
G4-EN5	Energy intensity	—	Colleted data were used for internal review and for establishing next step, but have not been published	N/A
G4-EN6	Reduction of energy consumption	—	Colleted data were used for internal review and for establishing next step, but have not been published	N/A
G4-EN7	Reductions in energy requirements of products and services	—	Use of products provided by processes are not related to energy consumption	N/A
Water				
G4-EN DMA		33	N/A	√
G4-EN8	Total water withdrawal by source	—	Did not disclose data	N/A
G4-EN9	Water sources significantly affected by withdrawal of water	—	Water source during the reporting period had no major influence	N/A
G4-EN10	Percentage and total volume of water recycled and reused	33	N/A	√
Biodiversity				
G4-EN DMA		28	N/A	√

Specific Standard Disclosures		Page	Omissions	External Assurance
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	28	N/A	√
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	28	N/A	√
G4-EN13	Habitats protected or restored	—	The factories are located in industrial park and forest operated at the plantation, which no relationship to protect or restore habitats	N/A
G4-EN14	Total number of IUCN Red List Species and National Conservation List Species with habitats in areas affected by operations, by level of extinction risk	—	Does not impact any agency protected species	N/A
Effluents and Waste				
G4-EN DMA		33,37	N/A	√
G4-EN22	Total water discharge by quality and destination	33	N/A	√
G4-EN23	Total weight of waste by type and disposal method	—	Factories have their own statistics regarding quantified waste, have not yet to report the total amount of waste within the entire organization	N/A
G4-EN24	Total number and volume of significant spills	—	At the time of the reporting period there were no serious leaks	N/A
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basal Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	—	Factories have their own statistics regarding quantified waste, have not yet to report the total amount of waste within the entire organization	N/A
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	—	No sewage leaks or other water pollution event occurred during the reporting period	N/A
Compliance				
G4-EN DMA		32	N/A	√

Specific Standard Disclosures		Page	Omissions	External Assurance
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	---	No violations of environmental laws and regulations involving significant fines or non-financial penalties occurred during the reporting period	N/A
Supplier Environmental Assessment				
G4-EN DMA		14,15	N/A	√
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	15	N/A	√
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	29	N/A	√
Category: Social				
Labor Practices and Decent Work				
Employment				
G4-LA DMA		41	N/A	√
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	42	N/A	√
G4-LA2	Benefits provided to full-time employee that are not provided to temporary or part-time employees, by significant locations of operation	46	N/A	√
G4-LA3	Return to work and retention rates after parental leave, by gender	42	N/A	√
Occupational Health and Safety				
G4-LA DMA		38	N/A	√
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	---	Colleted data were used for internal review and for establishing next step, but have not been published	N/A
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	39	N/A	√
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	40	N/A	√

Specific Standard Disclosures		Page	Omissions	External Assurance
G4-LA8	Health and safety topics covered in formal agreements with trade unions	---	Colleted data were used for internal review and for establishing next step, but have not been published	N/A
Training and Education				
G4-LA DMA		43	N/A	√
G4-LA9	Average hours of training per year per employee by gender, and by employee category	43	N/A	√
G4-LA10	Programs for skills management and lifelong learning that supportive continued employability of employees and assist them in managing career endings	43	N/A	√
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	---	Colleted data were used for internal review and for establishing next step, but have not been published	N/A
Diversity and Equal Opportunity				
G4-LA DMA		41	N/A	√
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group memberships, and other indicators of diversity	41,42	N/A	√
Labor Practices Grievance Mechanisms				
G4-LA DMA		44	N/A	√
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	44	N/A	√
Human Rights				
Freedom of Association and Collective Bargaining				
G4-HR DMA		44	N/A	√
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	44	N/A	√
Child Labor				
G4-HR DMA		41	N/A	√



Specific Standard Disclosures		Page	Omissions	External Assurance
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	41	N/A	√
Forced or Compulsory Labor				
G4-HR DMA		44	N/A	√
G4-HR6	Operations and supplier identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	44	N/A	√
Human Rights Grievance Mechanisms				
G4-HR DMA		44	N/A	√
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	44	N/A	√
Society				
Local Communities				
G4-SO DMA		52	N/A	√
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	54	N/A	√
G4-SO2	Operations with significant actual and potential negative impacts on local communities	54	N/A	√
Anti-corruption				
G4-SO DMA		23	N/A	√
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	——	Colleted data were used for internal review and for establishing next step, but have not been published	N/A
G4-SO4	Communication and training on anti-corruption policies and procedures	23	N/A	√
G4-SO5	Confirmed incidents of corruption and actions taken	23	N/A	√
Supplier Assessment for Impacts on Society				
G4-SO DMA		31	N/A	√

Specific Standard Disclosures		Page	Omissions	External Assurance
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	——	Gold Huasheng and other branches began requiring new suppliers to sign Corporate Social Responsibility Letter of Declaration & Commitment (CSR LDC), and planned to promote it within the company	N/A
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	29,31	N/A	√
Grievances Mechanisms for Impacts				
G4-SO DMA		54	N/A	√
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	——	No formal complaints received during the report period	N/A
Product Responsibility				
Customer Health and Safety				
G4-PR DMA		49	N/A	√
G4-PR 1	Percentage of significant product and service categories for which health and safety impacts are addressed for improvement	49	N/A	√
G4-PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	——	No incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during the reporting period	N/A

UN Global Compact Ten Principles Index

No.	Principles	Our Actions	Sections
Human Rights			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	APP-China respects all forms of human rights, and protects various rights of our stakeholders with legal compliance.	Human Rights and Labor
Principle 2	Businesses should make sure that they are not complicit in human rights abuses	APP-China resolutely forbids any behavior that disregards and violates human rights. In 2014, no infringement act related to human rights occurred.	Human Rights and Labor
Labor			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	APP-China strictly observes and follows "The Trade Union Law of the People's Republic of China" and all other laws and regulations regarding foreign invested companies in the areas of human resource management and employment contracts to protect its employees' legitimate right of freedom of association. APP-China sets up labor unions in various mills and the percentage of employees joining unions has increased significantly. By the end of 2014, 24,417 employees, approximately accounting for 95.46% of total work force of APP-China, joined labor unions. APP-China will promote and encourage more employees to join labor unions in the future.	Human Rights and Labor
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor	APP-China deems protecting employee's rights important and prohibits any forms of forced and compulsory labor. In 2014, no complaints or any other forms of forced or compulsory labor were found.	Human Rights and Labor
Principle 5	Businesses should uphold the effective abolition of child labor	APP-China resolutely prohibits the employment of juvenile workers and makes a commitment to only work with contractors and suppliers who follow the above-mentioned stipulation. In 2014, no child labor occurred at APP(China) as well as at our suppliers and contractors.	Human Rights and Labor, Green Procurement
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	APP-China guarantees to eliminate any discriminatory employment practices and engages experts to explain relevant laws and regulations for its employees to raise awareness of protecting their rights. In 2014, no complaints or reporting related to discrimination of employment practices were found.	Human Rights and Labor

No.	Principles	Our Actions	Sections
Environment			
Principle 7	Businesses should support a precautionary approach to environmental challenges	APP-China spares no effort to explore a greener and recycled business model of paper sector, and works together with employees to take part in environmental protection and sustainable development activities to meet future challenges. APP-China announced its "Sustainability Roadmap Vision 2020", outlining action plans for the next ten years to achieve the ultimate goal of environmental protection. Meanwhile, APP-China actively communicates and works with stakeholders to explore the greener development for paper industry.	Our Corporate Governance, Environment and Safety
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	APP-China continues to adhere to the "Paper Contract with China (PCwC)" published in 2011 to promote the realization of the sustainable development goals of paper industry. By the end of 2014, 83% of the forests passed the CFCC/PEFC certifications, which was two years ahead of the schedule.	Our Corporate Governance, Sustainable Forestry
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	In order to reduce out environmental impact, and practice clean manufacturing, APP-China requires that all subsidiary mills establish environmental management systems to optimize the internal management environment. In 2014, APP-China continued to carry out the environmental management system certification in the group and receive sound effect. To fully comply with the 2014 edition of Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), APP-China has invested in various technological innovation and upgrading. In 2014, the total emission reduced significantly.	Our Corporate Governance, Environment and Safety
Anti-Corruption			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	APP-China resolutely forbids any form of corrupt behavior and raises staff awareness of anti-corruption through various measures, including setting up a probity reporting mailbox, signing "Employee Occupational Ethics & Probity Specification", spreading caution through internal bulletin boards and releasing announcements to external suppliers and contractors, to maintain a healthy, fair and transparent business environment.	Compliance

Feedback

Dear Readers,

Thank you so much for reading APP-China Sustainability Report 2014. Your comments and suggestions are highly valued and appreciated. Please fill in the following form and mail / e-mail / fax to us, or directly provide feedback via phone call. Thank you!

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Fax: +86-21-2283 9063      E-mail: csr@app.com.cn

1.What’s your/your organization’s relationship with APP-China?

- ☐ Customers    ☐ Community representatives    ☐ Supplier/contractor
- ☐ Industry association    ☐ Employee    ☐ School
- ☐ Non-profit organization (NPO) or non-government organization (NGO)
- ☐ Media    ☐ Bank    ☐ Others (Please specify)

2.Have you ever read the APP-China Sustainability Report  
(Please ignore 3, 4 and 5 if your answer is No):

- ☐ Yes                      ☐ No

3.If the answer is Yes, which version is it?

- ☐ Printed                      ☐ Electronic

4.Which version do you prefer?

- ☐ Printed                      ☐ Electronic

5.Please indicate your overall assessment for the APP-China  
Sustainability Report 2012-2013:

- Easy to read (Clear expression, quality design, inspiring story-telling, easy to find wanted information):
- ☐ 3    (Better)    ☐ 2    (Normal)    ☐ 1    (Relatively Poor)
- Reliability (Information of this report is true and reliable)
- ☐ 3    (Better)    ☐ 2    (Normal)    ☐ 1    (Relatively Poor)
- Completeness (Disclosure of both positive and negative performance, providing information you need)
- ☐ 3    (Better)    ☐ 2    (Normal)    ☐ 1    (Relatively Poor)

In addition to the disclosed contents, do you expect to find other information?





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