

# CSR Update

First Quarter 2003

## APRIL's Corporate Social Responsibility Update

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## Stakeholder Dialogue Marks APRIL's 10th Year Celebration



In line with its open door policy with its stakeholders, APRIL marked its 10th anniversary by inviting some 120 selected stakeholders to a two-day tour and meetings at the APRIL Riau Complex in Riau, Sumatra, Indonesia.

Guests included customers, trade media, equipment and technology suppliers, and members of the international banking and diplomatic communities. They were hosted by APRIL Chairman and CEO Sukanto Tanoto and APRIL President and COO A. J. Devanesan.

Held on 21-22 March, the event focused on the theme, "Building on Sustainable Growth," and was highlighted by a meeting with Mr. Tanoto who presented APRIL's achievements over the past 10 years and shared future directions as he encouraged stronger stakeholder partnerships.

Mr. Tanoto also highlighted APRIL's contributions to the development of the local economy in Kerinci, Riau where the Mill operates. He traced Kerinci's growth from 1992 when it was just a village of less than 2,000 inhabitants and without electricity and other infrastructure to what it is today -- a town of 50,000 enjoying the benefits of roads, electricity and sustainable livelihood activities.

Also noted was the difficult economic and political environment during the Mill's start-up years, marked by the financial crisis in the Asian region. Mr. Tanoto cited the support of stakeholders in the creation of win-win agreements with APRIL. "We were able to manage the difficult period by maintaining open communications with lenders, vendors and suppliers . . . (and) this has helped in creating mutually beneficial solutions," Mr. Tanoto stressed.

As APRIL moves on, Mr. Tanoto called for closer cooperation in the sharing of new ideas and practices, and in proactively solving problems and issues that involve APRIL and its stakeholders.

The event also enabled guests to see APRIL's pulp and paper mills. The tour provided an orientation of the operations of the mills, including the power generation unit, which makes APRIL self-sufficient in energy requirements using bio-wastes from the Mill operations.



Guests enjoying the mill tour...

A tour of the Community Development Training Center was conducted on day two where guests were presented with APRIL's livelihood empowerment programs, which benefit farmers and households in local villages. Presented during the tour were the company's Integrated Farming System (IFS) and the small- and medium-scale enterprise (SME) projects. Guests were also given the opportunity to interface with the farmers from the beneficiary villages.



...and "experiencing" APRIL's Community Development Program

A presentation on the company's R&D directions was made by Dr. Ken MacDicken, R&D Director for Forestry; Dr. Yung D. Woo, R&D Director for Pulp and Paper; and Mr. Paul Clegg of the R&D Forestry Department. The presenters focused on the goal of meeting the future wood needs of a growing company while minimizing environmental footprint per ton of pulp.

They addressed issues on efficient soil management to sustain yield increases, and biotechnology, stressing that there are no plans for the use of Genetically Modified Organism. Also covered were efforts to reduce chemical/energy/water use and emissions to reduce environmental impact, and to diversify fiber properties for a wider range of pulp and paper products.



Tan Sri Dr. Soopie on "The Future of East Asia"

Finally, guests were given an overview of the economic and political prospects in China and other parts of Asia by Tan Sri Dr. Noordin Soopie, Director General, Institute of Strategic & International Studies in Malaysia who spoke on the "The Future of the East Asian 'Miracle'." Dr. Soopie presented an analysis of the risk factors that may affect East Asia's economic performance and cited the region's resilience, creativity in coming up with solutions, and capability for hard work as its proven saving graces amidst difficulties.

## Scholarship Funds Raised for Beahrs ELP

**A**PRIL's social and environmental involvement does not only confine to the areas in which it operates but also extends to the national arena and beyond.

In a bid to develop an able pool of leaders that will contribute positively to enhance Indonesian environmental management, APRIL, together with Astra International Company and UC Berkeley Club of Indonesia, helped raised scholarship funds for Indonesian participants to attend the Beahrs Environmental Leadership Programme (ELP) at the University of California, Berkeley, USA.

A gala dinner was held on 26 February 2003 in Grand Mahakam Hotel in South Jakarta and was graced by many prominent business,

community and environmental leaders. They included Professor Sadli, one of the economic architects of the New Order; Dr. David Kaimowitz from the Centre for International Forestry Research (CIFOR); Dr. Terry Myers, Director of the United States Agency of International Development (USAID) in Jakarta; representative from the United Nations Development Programme (UNDP); as well as several other distinguished guests from Indonesia and the Philippines.

The Beahrs ELP is a three-week long on-site programme that offers exceptional learning opportunities for interested parties from corporate, institutional and private sectors, preferably from related industry or field. The main objective of the programme is to build up a pool of

new generation development and environmental leaders. Additionally, it can also foster the international collaboration among Beahrs ELP alumni. Hosted by Dr Ibrahim Hasan, Vice President of APRIL and Vice Chairman of UC Berkeley Club, the event was packed with presentations by alumni of the ELP on its benefits and how the knowledge gained can be exploited to influence and improve environmental management in Indonesia.

It was also revealed at the event that construction is underway to build a Satellite Centre in the Philippines to enable distant-participation/learning of the Beahrs ELP programme. This would result in significant cost and time savings. The evening ended well with a total sum of US\$21,000 collected, of which APRIL contributed US\$8,000.

## Environmental Progress Noted

**A**PRIL is happy to note that the World Wide Fund for Nature (WWF) has taken notice of the significant strides the Company has achieved in its environmental efforts. The observation was made in a letter recently written by WWF to one of APRIL's European customers.

It was a letter which was sent to our German paper customers after a meeting between WWF Indonesia and APRIL to clarify the WWF stands related to allegations made by Robin Wood, a German environmental non-government organisation (NGO), who protested against a German paper customer for allegedly playing a role in the destruction of tropical forests.

The issues tabled by Robin Wood were not dissimilar to those of Friends of the Earth, such as destruction of tropical forests, illegal logging; human rights abuse etc.

WWF has been in regular contacts with APRIL since last year in relation to the protection of Teso Nilo and other issues.

Another meeting was later organized by the German customer with WWF Germany and WWF Washington and APRIL to discuss the related issues.

In the letter, WWF made the following observations:

- APRIL has stopped harvesting the Teso Nilo forests since March 2002.
- APRIL has seemed to stop purchasing wood from suppliers whose wood are suspected to originate from Teso Nilo since June 2002.
- APRIL has also, in an attempt to prevent illegal loggers access into its forest concessions, blockaded some of its roads.
- APRIL had submitted an audit findings report by an independent company on its wood purchase procedures. A follow-up audit will be conducted in April 2003.

Further discussions will be held on the remaining open points raised in the meeting. APRIL will keep readers informed of developments in succeeding issues.

## FoE Issues Refuted

# APRIL Reaffirms Commitment to Environment

**F**riends of the Earth (FoE) issued a press release on 10 February listing UK paper merchants who purchase paper from Indonesian companies. The environmental NGO alleged that APRIL, together with another major Indonesian paper company, was responsible for rainforest destruction, illegal logging and human rights abuses. They further claimed that merchants who did business with Indonesian paper companies were in fact supporting Indonesian rainforest destruction. FoE campaigner Ed Matthew said: "...By continuing to do business with them they are supporting the destruction of the most endangered rainforest in the world and inflicting untold damage on local communities.

FoE called on UK's paper merchants not to buy Indonesian paper until "it can be independently proven that it comes from a non-destructive source".

### APRIL's Position:

#### *Preserves the environment*

APRIL worked on forest concessions allocated by the Indonesian Government for conversion into industrial plantations. These areas are essentially degraded sites, scrub and bush lands. Of the 195,000 hectares of concession awarded by the government, APRIL sets aside 20% of this net productive area as reserve site. Additionally, APRIL worked with biodiversity experts from the Centre for International Forestry Research (CIFOR) and the Bogor Institute of Agriculture in identifying appropriate forest management prescriptions that commensurate with the biological diversity values of these sites.

#### *Controls log purchases*

Over the last year, APRIL has applied increasingly stricter controls on the purchase of pulpwood. Proper control of wood purchase is an essential element of APRIL's environmental policy, including our company's ISO 14001 Environmental Management System (EMS). APRIL's practice of verifying the legitimacy of its purchased wood supply has been recently audited by Societe Generale de Surveillance (SGS), a process monitored by the Worldwide Fund for Nature (WWF).

APRIL has been reducing its purchase of pulpwood from the local wood market. In 2002, 22% of APRIL's wood supply came from such purchases. The remaining comes from licensed forest concessions operated either solely by APRIL or by joint ventures where APRIL is a partner.

#### *Maintains socio-economic conditions*

While APRIL can meet its wood needs through supply from legitimate concession areas, it cannot suddenly cease purchasing authenticated wood from local suppliers without causing unreasonable social hardship and unrest in the local community. APRIL's continued reduction of market wood purchases has already resulted in increasing unrest among local villagers, whose livelihood depends on APRIL's wood purchases.

The unrest demonstrated the necessity of allowing sufficient time for the local social, political and economic systems to accept and adjust to the requirements of global business ethics in a reasonable manner, without causing undue hardship and damage to the community.

#### *Respects human rights*

APRIL has conducted itself ethically to ensure that no indigenous community have been forcibly moved from the land. Where there are indigenous people on our concession, their villages remained intact in accordance with Indonesian law and traditional land rights.

APRIL is committed to resolve all land disputes as quickly as possible while ensuring it does so in a socially responsible manner. The company's land dispute resolution system offers a fair, just, peaceful and transparent process that respects the rights of the local communities and other stakeholders.

Under this system, APRIL: 1. regularly consults with the local communities and other stakeholders or credible organisations that represent them and which have valid and legitimate claims within portions of its forestry concessions. The results of such consultations are incorporated in the formulation and implementation of forest management programmes and business plans. 2. develops incentive schemes for effective community participation in APRIL's social programmes.

# APRIL Receives Community Recognition for Social Work



In a bid to find out how the Company was perceived by the community in areas where it operates, APRIL commissioned Taylor Nelson Sofres (TNS) to conduct a quantitative opinion research project among 30 villages surrounding its operations. Face-to-face interviews were conducted among a random, evenly spread sample of 300 residents.

The objective of the survey was to establish where APRIL stood in relation to other companies operating in the region and also to have a better comprehension the expectations, as well as perceptions, of the local community.

Survey findings revealed that the local community has many expectations of companies, including APRIL. The major expectations included:

- Provision of infrastructure and public utilities, particularly education support and the provision of electricity supply
- Availability of community welfare, especially increasing support for rural welfare, job opportunities provision etc
- Economic Empowerment by providing vocational training, working capital and equipment etc.

In general APRIL is perceived to be making a greater contribution to the community than other companies:

Table 1. Community views on APRIL's Performance (in %)

	Awareness	Positive	Negative	Neutral	Importance Rating
District Economy	51.55	55.52	1.67	42.81	3.6
Community Welfare	66.26	40.60	7.46	51.86	21.2
Land Disputes	59.45	34.45	17.17	48.38	6.5
Cultural Customs & Rel.	63.15	39.08	5.07	55.85	11.13
Economy Empowerment	69.93	39.25	7.00	53.75	19.5
Environment/Industry Waste	69.48	9.51	61.2	29.28	8.3
Transportation	78.79	48.80	5.03	46.17	5.4
Infrastructure/Public Utilities	77.41	41.20	4.01	54.79	24.1

# Intensifying Forestry R&D Efforts to Boost Fibre Yield

Effective tree improvement programs produce big dividends. Tree breeding with a broad genetic base can increase and sustain future yield advances and provide genes that have broad adaptability, pest and disease tolerance/resistance and desirable wood properties. Clonal-development and field-testing can produce higher pulp yields and improve pest and disease tolerance/resistance.

APRIL's Forestry Research and Development (R&D) is committed to adding value to Company operations by improving the sustainable, cost-effective production of fiber --integrating tree improvement and forest management research and development. This means selecting seed sources and clones together with management regimes that maximize potential pulp yields per ha. It also demonstrates the need for solid science in pursuit of economic, operational gains both in pulp yield and cost-effectiveness.

The Forestry R&D Department is working on the improvement of *Acacia mangium*, *A. crassicarpa* and *Eucalyptus pellita*, as well as several species hybrids. This includes provenance/seed source trials, clonal screening and yield trials, progeny tests and operational gain trials. The value of these experiments is demonstrated in the following graph which shows differences in yield by seed source. These differences are exploited by the R&D Department by maximizing seed production and future clonal selections in these highest yielding provenances. Hybrids with *E. pellita* are being tested for higher yield, improved wood properties and increased pest and disease resistance.

Forestry R&D has to date selected over 2,000 clones and is in the process of testing them across sites to determine yield potential and adaptability. This is done through a two-stage process of screening and yield trials on multiple sites across the range of major soil types found in company plantations. These soils are now being characterized and mapped to allow more accurate targeting of species, provenances and clones to sites and to improve the efficiency of fertilizer use.

Tree improvement is a crucial job that requires effective team work. In recent months, R&D has added two forest geneticists – Dr. Hero Dien Kartiko and Mr. F. Suhartono Widjoyo - and is actively recruiting more to help propel its R&D efforts.



## Making a Green Difference



**A**PRIL is proud to be one of the three founding members to financially and technically support the Haze Prevention Group (HPG). HPG was formed to overcome the haze caused by widespread forest and vegetation fires in Indonesia and the entire Southeast Asia region by encouraging concessions owner to develop fire management programs that include fire prevention and suppression and do not rely on fire as a land management tool. APRIL, being one of the major corporate

leaders in industrial forestry operations in the region, has taken a leading role to actively manage a “fire and haze free” forestry operation to maintain air-quality for a healthy living environment for people, as well as ensure the long-term viability and sustainability of the environment and its business.

“Since 1994, APRIL uses forest management practices that firmly adheres to and implements a strict “no-burn” policy that does not use

fire as a land preparation tool within its own forest concessions,” said Mr. Bradford Sanders, APRIL’s Forest Fire Officer. Additionally, the Group encourages surrounding communities not to burn during their land clearing for agriculture, farming or other land development activities -- by purchasing the wood generated in the course of their land clearing process, if this land and wood is legally owned.

In an earlier statement, APRIL, said, “As one of the world’s leading pulp producers, APRIL is committed to caring for the environment and the society. Our collaboration with HPG is one of several efforts to translate our genuine intents into meaningful actions. Environmental conservation is not and can never be a solo effort. We hope more and more companies will participate in this worthwhile project.”

## Editorial

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