

CSR *update*

Second Quarter 2003

APRIL's Corporate Social Responsibility Update

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Test Yields Break 50 m³ per ha/year Barrier

Full-rotation wood yields were recorded at over 50 m³ per ha/year in two trial sites, marking a milestone in APRIL's research and development efforts. The record yields were achieved at the Ukui and Teso West sectors and are likely to be replicated in multiple plantation sites.

Increasing wood yields mean requiring fewer trees to produce the desired pulp volume.

Research began with the testing of multiple seed sources - or provenances - that had shown promise in other locations. Analyses of these data have shown large differences in yield potential from these provenances, and have identified several that have achieved the benchmark 50 m³ Mean Annual Increment (MAI).

The stability of several provenances from tests established in 1996 and their ability to out-yield other tested materials raise hopes that the company has broken the 50 m³ per ha per year barrier. These yields were established using conservative algorithms and are expected to actually be higher than reported. Further wood property studies will help calculate potential pulp fiber productivity and raise prospects of soon breaking the equivalent of 60 m³ MAI in fully-replicated, multi-site yield trials.

Extending these materials into operational plantations is an on-going challenge that requires careful coordination with nursery and plantation operations. Nursery Operations Manager, Mark Holmes notes, "We are working closely with Forestry R&D to rapidly multiply the very best planting materials from seed and cuttings for the acacias and eucalyptus. The link with R&D helps us improve efficiency and plant quality while maintaining production rates to meet operational needs."

Continued increases in fiber productivity per hectare are expected from expanding R&D programs in silviculture, tree improvement, and wood properties testing.



Acacia seedling nursery at Teso

Bringing Education to a New Platform



Children of APRIL employees now benefit from the opportunity to be trained under an enhanced academic curriculum with the inauguration of the Mutiara Harapan School on 24 April.

Combining national curriculum with international subjects, such as natural science, and English and

Mandarin languages, this semi-international school is the first of its kind in the Pelalawan Regency and in the entire Riau province.

Susilo Sopotro, Vice President, Corporate Services, who inaugurated the launch said, "With this new school, we hope to provide a conducive learning environment with an integrated curriculum to the children of our local employees. Such exposure would lay the foundation for and prepare local students to pursue higher education overseas or in big cities in Indonesia."

The first APRIL national and international schools were established in 1994. Initially, the objective of the national school was to provide a well-rounded and comprehensive education for the children of APRIL employees. The second national school was established in 1997 at the Riau Complex Town Site II to accommodate outside communities, as well.

Strict Wood Purchase Policy Meets Continued Resistance

APRIL's tight rein on the purchase of market supply pulpwood continues to face resistance from local log haulers. Following the denial of entry into the mill of about 30 truckloads of logs on 12 May 2003, some 50 demonstrators in colt diesels tried to force their way into APRIL's woodyard two days later, blocking entry of legal wood into the mill, as well. The log truckers were denied entry when they failed to produce an 'Izin Pemanfaatan Kayu' (IPK- a government permit that licenses harvesting of wood on designated land) or a 'Faktur' (the official transport document)

The case was reported to the Forestry Department and the Police Department of the Pelalawan Regency. In the negotiation among the concerned parties, including the government and police officials, APRIL reiterated its commitment to its Wood Purchase Policy that forbids the procurement of undocumented or questionable wood. The discussion concluded with APRIL allowing temporary unloading of the logs outside its woodyard once legal supporting documents were produced. The above demonstration was not the first such case reported. APRIL's tough enforcement of its Wood Purchase Policy threatens the wood haulers' livelihood

when their wood is rejected for lack of appropriate permits. This causes unrest among the local villagers and increases tension between mill personnel and log deliverers at wood delivery stations, resulting in demonstrations and blockades at the mill gates.

Such problems will not rest and APRIL will continue to face opposition from affected suppliers and wood truckers, whose real issue is unemployment. Through its community programmes, APRIL introduces new skills and work opportunities, but the company needs the support of government, communities, the private sector and NGOs in developing livelihood options for these affected suppliers and wood truckers.



APRIL Wood Purchase Policy

APRIL is committed to complying with applicable legal requirements and regulations on all wood purchases used as raw materials for its pulp and paper mill.

To implement this commitment we will:

- Be the leader in our industry and community by ensuring that wood being supplied to the mill has the required license or permit issued by the government authorities concerned.
- Take the necessary measures to ensure that wood is properly checked and verified as to legitimate source and origin before deliveries are made.
- Ensure that wood coming from illegal sources shall be automatically rejected before the weighbridge.
- Expect that all our suppliers and contractors comply with all licensing requirements and the relevant rules

and regulations on the cutting, transport or delivery of wood raw materials to the mill.

- Provide that suppliers identified as violating the relevant legal requirements and the provisions of the policy shall be immediately warned and blacklisted for repeated violations
- Stop purchasing from suppliers that disregard applicable licensing and regulatory requirements
- Ensure that all our employees responsible for the procurement, purchase and acceptance of wood delivered to or used as raw materials for the pulp and paper mill are properly informed and trained to enforce the provisions of this Wood Purchase Policy.

Disciplinary action including termination may take place for those staff found violating the Policy.

SGS Audit Confirms Progress in Wood Purchase System

Improvements in APRIL's wood purchase system were noted by Societe Generale de Surveillance (SGS) based on the results of the audit conducted on 19-24 May. This latest audit was a follow-up to the first assessment which SGS conducted in October 2002, with assistance from the World Wide Fund for Nature (WWF Indonesia).

In the first audit, SGS conducted an assessment of the wood purchase system, specifically, to verify the legality of raw materials supplied by local external suppliers, and to evaluate the documentation and physical traceability of these wood materials. It was part of a comprehensive effort to ensure that no illegal wood enters the supply chain into the mill.

The follow-up exercise sought to look into the progress achieved by APRIL since the previous audit, with focus on:

- Progress in addressing recommendations made in the October 2002 audit;
- Closing out the Corrective Action

Requests (CAR) issued;

- Identification of areas for continual improvement.

Site inspection was carried out at the wood suppliers' forest areas, as well as within the mill to evaluate the internal system for purchasing, receiving and storage of materials. This was conducted to evaluate the reliability of the system used to verify the origin of all logs harvested and transported from each logging license under each supplier sampled. The system to receive and inspect the logs at the mill was then evaluated to confirm compliance to the requirements for Traceability and Identification.

SGS observed that APRIL has taken actions to address the CARs raised in the initial assessment:

- APRIL has reduced significantly the number of external suppliers to one and has developed joint ventures (JV) with community and commercial concession holders aimed at long-term sustainable wood supply;
- APRIL has developed Standard Operating Procedures (SOPs) for

joint ventures (HTR and JV);

- APRIL has revised its on-line system that included additional reference fields related to harvesting permits (Izin Pemanfaatan Kayu - IPK), total volume, and supply period. The improved system allows verification of wood volume received and shows the expiration dates of IPK;
- APRIL conducts periodical monitoring of wood supplier and community forestry (HTR) activities.

However, new minor CARs were also raised by SGS during the second audit, along with recommendations to APRIL, including:

- Further revise the on-line system to consistently update the data. The system should also be adequate to ensure volume of material received matches the records of volume delivered;
- Continue monitoring the wood suppliers' progress in forestry operations and production of material in respect to operation plan and IPK.

Forestry Plantation Development Progress

From January to June, APRIL planted 19,211 ha of Acacia plantations. Table 1 depicts the quarterly progress in plantation development, with APRIL's performance within its own concessions surpassing target. Progress, however, in Joint Venture (JV) plantation forests, as well as in community forestry (HTR), lagged behind targets. Reasons cited were the delays in infrastructure developments due to heavy rainfalls in the first two quarters and resource mobilization difficulties in remote JV and HTR locations.

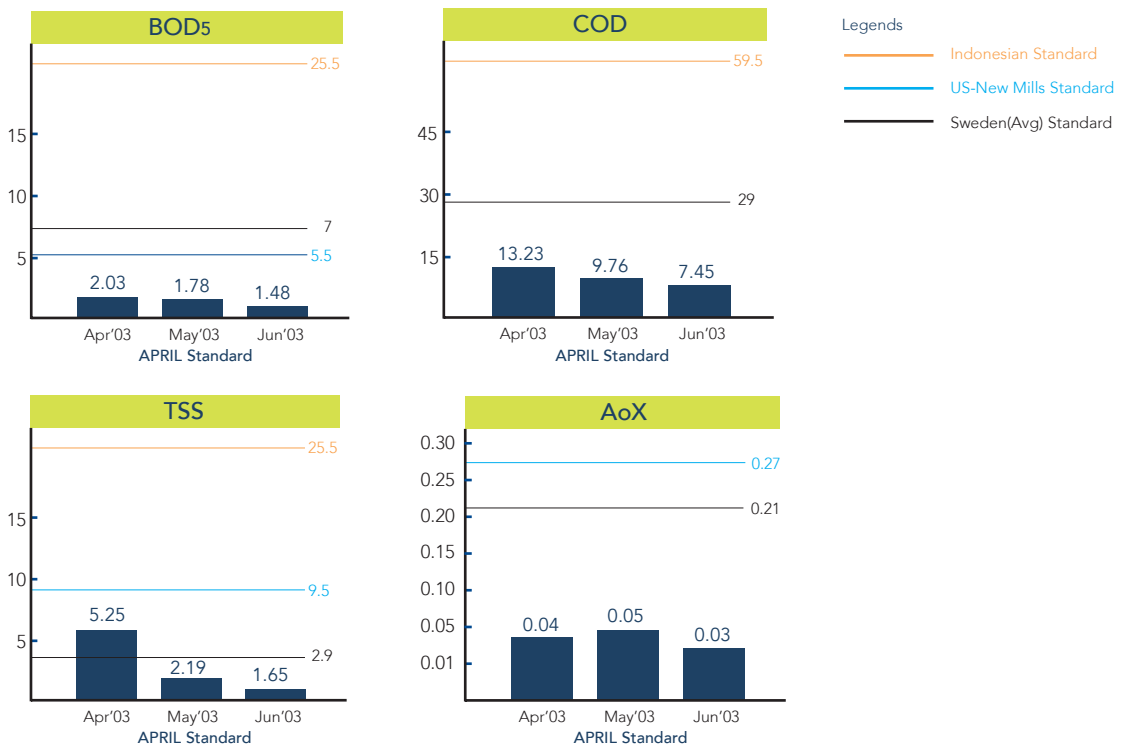
The Forestry Division will step up its planting efforts in the next two quarters to ensure that annual targets will be met.

Operational challenges remain in the rapid production of quality seedlings and in maintaining a strong productive planting workforce.

APRIL's Forestry Division continuously works towards increased productivity, higher environmental performance and lower cost. Focused benchmarking of the harvesting operations has been set up to evaluate new harvesting methodologies, improve productivity standards, as well as enhance environmental performance. This program will progressively be expanded and implemented in all forestry sectors.

Description	Q1		Q2		Total		Achieved (%)
	Budget	Actual	Budget	Actual	Budget	Actual	
APRIL Plantations	6,190	6,113	7,425	7,896	13,615	14,009	103
HTR Plantations	1,600	542	1,935	469	3,535	1,011	29
Plantations	1,545	1,807	4,170	2,384	5,715	4,191	73
Total	9,335	8,462	13,530	10,749	22,865	19,211	84

Environmental Performance



Community Land-clearing Activities Cause Resurgence of Haze

Community land-clearing fires were again detected late May this year near the Kerinci Town Site, outside of the APRIL Riau Complex and near its newly established Acacia plantations. These resulted in the proliferation of smoke and haze in the environment, thereby endangering the health of APRIL's employees and their families, as well as the plantations.

What has now been observed as an annual practice by local villagers, these land-clearing fires have perennially posed health and safety hazards to the entire community, as well as the APRIL Mill Complex in Kerinci.

The use of fire for agricultural land preparation remains prevalent throughout Indonesia, despite the ban from the Indonesian Government after the devastating fires in 1997. Often APRIL was mistaken (by the public and environmental groups) to cause these fires, despite the company's strict implementation of its "No Burn Policy" in its operations since 1994, pre-dating government action by three years.

Quickly responding to the haze situation, APRIL's Emergency Preparedness Response Plan was immediately put into action:

- Forest Fire & Safety Department and Mill Loss Prevention & Control (LP&C) Department coordinated with PEC-Tech Engineering, Wood Yard staff to confine the fires within clearly identified boundaries, raise water levels in surrounding canals to flood the burning area, and prevent the fires from spreading into the plantations.
- An operational objective was to maintain a 200 metre "fire-free buffer zone" around the RAPP Town Site perimeter to prevent fire from spreading to our Acacia plantations.

- Assistance from the Sector Pelalawan Fire & Safety Team facilitated the monitoring and containment of fires around the Town Site perimeter.
- Regular updates on smoke/haze resulting from the fires was provided to all employees and families.
- LP&C Dept disseminated a Health Advisory and distributed face masks to all employees and family members.

Recognizing that the above activities are only short-term measures, APRIL's long-term solution is to encourage landowners to participate in one of the company's on-going community programs - the HTR Scheme - to convert their lands into acacia tree farms. Under this scheme, villagers who own the land partner with APRIL, which develops the land into plantations, by providing financing, seedlings, fertilizers, and maintenance support. The villagers profit from the scheme's benefit-sharing arrangement at the end of each 7-year rotation.

Alternatively, APRIL offers to buy the wood generated from the community land-clearing activities, thereby preventing slash and burn and maximizing the economic value of the wood.



Editorial

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