



## APP 'Clears the Air'

In the spirit of continuous improvement and heightened transparency, APP is launching a new website called "[Clearing the Air : APP Myths and Realities](#)". The new website is another initiative by APP to engage stakeholders directly in a discussion about some of the most persistent myths about the company.

Through the launch of this website, APP is eager to take the toughest issues head on in an ongoing effort to assure its stakeholders of its commitment to a sustainably managed pulp and paper supply chain, where there is equal balance for the responsible management of the company's economic, social and environmental impacts.

While the website is no substitute for a direct visit to APP's Paper Mills, a visit to the website's section titled 'Rumor Mill' can be an informative experience, especially to those who are concerned about the various sustainability aspects of APP's operations. The page contains four principle topics most widely discussed and related to APP: [Climate Change](#) , [Biodiversity and Conservation](#), [Wood Legality and Certification](#), and [Community Relations](#). Through these sections, stakeholders can find first-hand verifiable information of the reality behind regrettable misconceptions about the company's commitment to sustainability. For issues not yet discussed on the website, APP invites its stakeholders to submit their own concerns and questions on any aspects of the company's operations.

In line with APP's commitment to continuously improving its sustainability, it also intends to improve and update the new website over time to ensure that it is as comprehensive as possible. By using the feedback it hopes to receive via the site, it will enhance the company's on the ground efforts in the protection of biodiversity, diminishing its carbon footprint and to help alleviate poverty in areas where APP operates.

The website can be accessed at [www.app-mythsandrealities.com](http://www.app-mythsandrealities.com). If you have any questions about the site or any aspect of APP operations, please contact [environment@app.co.id](mailto:environment@app.co.id).

## APP's Socio-Carbon Footprint Assessment: First of its kind for Global Pulp and Paper Industry



In a major step forward in efforts to constantly improve upon existing sustainability initiatives, APP recently completed a Carbon-Socio Footprint Assessment of its operations in Indonesia, the first of its kind not just for the company but for the global pulp and paper industry. Conducted by Environmental Resources Management (ERM), a UK-based global leader in environmental and social consulting, the assessment was done to create an integrated benchmark of APP operations and their impacts on global climate change and the communities in which they operate. This benchmark is the first step in a continuous effort to

characterize and then manage social and carbon concerns.

In Indonesia, as required by government regulations, a company's environmental impact on the surrounding area is evaluated in an Environmental Impact Analysis (AMDAL). This looks at the process in which the environmental impacts of facilities are analyzed and ensures that management systems are put in place for mitigating, monitoring and reporting these impacts. Companies are required to regularly update these plans and to compose reports on their environmental impacts. The process also involves local communities and requires community consultations. However, the process does not include any systematic measurement of a company's impacts on local communities, nor does it require a company to report on their GHG emissions.

### **Social Footprint Assessment**

The specific objectives of the Social Footprint Assessment (SFA) are to develop a better understanding of the social and economic impacts that APP's operations have on local communities, and to design key performance indicators for measuring and managing these impacts. ERM assessed and refined the most suitable standards and methods for APP's SFA from standards for reporting a company's Social Footprint developed by ERM internally as well as the World Council for Sustainable Business Development (WCSBD) and the methodology of the Socio-Economic Assessment Toolbox (SEAT). The SEAT methodology was recently evaluated by Business for Social Responsibility (BSR) which considers it a world-class best practice.

The objective of the report is to serve as a benchmark against which to measure and improve APP's progress in increasing its social and economic contributions. APP is very pleased with the results, which identified many areas where APP is performing well and gave valuable insight into a number of areas where APP can improve and increase its positive social and economic impact.

Among the data assessed was direct and indirect employment, employee training, procurement, and contributions to regional and national economic development through taxes and value-added. Value-added is defined as the company's sales minus the cost of goods and services for production and sales. The analysis indicates that APP's influence is most significant at the local level through its social investments in local development, and through the job and business opportunities it creates. The report also found that the company has a positive influence on regional economic development and contributes to government revenue at the national level.



*APP's pulp and paper mills are important sources of employment for local communities in and around its operation area.*

In 2007, APP pulp mills and its fiber suppliers directly employed over 45,000 people, almost half of which were recruited from local communities. One of APP's biggest contributions to Indonesia's economic development is the company's procurement of goods and services from local, provincial and national sources. The ERM report notes that almost 5,000 small, medium and large companies currently supply products and services to APP. In addition, APP and its fiber suppliers also encourage the improvement of their contractors' and suppliers' management systems by sponsoring programs which enhance their capacity. During 2007, APP and its fiber suppliers provided technical and quality training to over 90,000 people.

During the assessment process, a total of 90 stakeholder interviews were conducted. Most of the stakeholders expressed support for the company, saying that it has contributed to economic development through the creation of jobs and business opportunities, and by sponsoring educational, cultural and religious programs. However, some stakeholders expressed their concerns about a perceived lack of employment opportunities for local residents.

The key environmental issues mentioned by stakeholders were air emissions and water effluents. APP routinely measures and reports its environmental performance and a review by ERM indicates that it meets Indonesian and international standard. Overall, stakeholders expressed the desire for increased dialogue and a greater role with regard to APP's decision-making and the company's local operations.

APP constantly seeks to improve its contribution to social and economic sustainability. The company's Sustainability Team and top management are currently reviewing and evaluating the recommendations made by ERM and assessing how to incorporate them into their business operations. The report will serve as a baseline for evaluating APP's future performance and the recommendations an important factor in improving APP's social and economic impact.

### **Carbon Footprint Assessment**

APP successfully completed its first Carbon Footprint Assessment following the internationally accepted standard of the Greenhouse Gas Protocol, which was developed by the World Resources Institute and World Business Council for Sustainable Development, in August 2008, establishing a benchmark for initial carbon accounting systems and the protocols required for an ongoing process of evaluating the company's carbon emissions<sup>1</sup>. The assessment results provide a firm baseline of APP's GHG emissions and are being used by APP to develop strategies for reducing its carbon footprint in the future. This will help the company achieve its overall long-term objective of producing carbon neutral paper.

APP's average carbon footprint for jumbo rolls of paper in 2006 was 1.56 tCO<sub>2</sub>e/t-paper, excluding pulpwood plantation sequestration. This is on the low end of the 1.46 to 2.20 tCO<sub>2</sub>e/tonne range of the North American paper industry. When plantation sequestration is considered, the weighted average carbon footprint was reduced considerably close to neutral: 0.03 tCO<sub>2</sub>e/t-paper. According to the ERM report, net sequestration of CO<sub>2</sub> by the pulpwood plantations in Riau, Jambi and South Sumatera Province that supply fiber to APP is 10,098,215 tCO<sub>2</sub>, which equates to carbon sequestration of  $\pm 33$  tCO<sub>2</sub> per hectare of pulpwood plantation.

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<sup>1</sup> ERM assessed the operations of APP's eight pulp and paper mills in Indonesia, calculating the forestry sequestration and harvesting emissions directly associated with the mills and calculated to the point where harvested logs are delivered to the mills; greenhouse gas emissions associated with the production of Leaf Bleached Kraft Pulp; and greenhouse gas emissions associated with the production of base paper (up to jumbo roll in most cases) excluding the emissions related to the conversion and finishing to a final product. In calculating APP's carbon footprint for 2007 and 2008, ERM will extend the analysis to all emissions from APP operations, including, for example, finishing of final products. In addition to examining emissions from APP's pulp and paper mills, ERM calculated GHG flows from two dedicated sources of fiber supply operated by Sinarmas Forestry and its partners in Sumatra, Indonesia. This analysis included carbon inflow due to sequestration in plantation above-ground live-biomass, without taking into account the previous land use and management; and carbon outflow due to above-ground Carbon release (from harvesting standing pulpwood stock only).



*When plantation sequestration is included, APP's carbon footprint is close to neutral per ton of paper.*

APP's strategy to reduce carbon emissions is implemented through a series of GHG Reduction Schemes at each of APP's mills. These schemes include enhancing production facilities to save energy and reduce emissions, and utilizing anaerobic waste water treatment to create renewable energy sources. Currently, APP is undergoing the second step of its Carbon Footprint Assessment with ERM, which will soon begin a Carbon Footprint Assessment for 2007 and 2008 data.

This second stage assessment will include identifying and closing the gap between the previous report with respect to the GHG Protocol and ISO 14064. The GHG Protocol is the most widely used international accounting tool for governments or business leaders to understand, quantify, and manage greenhouse gas emissions. It was developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). ISO 14064 provides guidance to organizations and individuals on the quantification and reporting of GHG emissions and removal. Both these tools are internationally recognized as best practices in preparing advanced carbon footprint assessments.

APP is pleased that the results of the Socio-Carbon Footprint Assessment confirmed the company's dedication to operate sustainably and will use it to further improve its operations with regards to environmental impacts and its social and economic contribution.

**Jakarta, 20 May 2009**

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