





# Preface



As a "golden key" to overcoming today's global challenges, sustainability has been front and center in countless discussions the world over. 2021 marks the first year of the 14th Five-Year Plan (the "14th FYP") in China. It is a year when the national carbon peaking and carbon neutrality goals (the "30-60 Goals") and a growing awareness of ESG (Environmental, Social, and Governance) catalyzed an accelerated sustainability drive across sectors. The Ministry of Industry and Information Technology and the United Nations Global Compact cohosted the International Forum on Corporate Social Responsibility of Industry and Information Technology in November 2021, where the *2021 Sustainable Development Report of China's Industry and Information Technology* was released. This was an active effort aimed at promoting ESG-oriented industrial and financial cooperation and dialogue between industry and IT enterprises and a reflection of the high importance China attaches to corporate efforts in implementing ESG management and practices and working towards a sustainable industry chain.

Papermaking companies have a key role to play in advancing the achievement of the national 30-60 Goals, and their successful transition to green and high-quality growth would depend to a large extent on how well they can integrate ESG considerations into company development. In 2021, we extensively researched and had internal and external discussions on ESG-related concepts and trends and

worked to integrate ESG into the Company's sustainability strategy framework. We intended to first obtain an objective assessment of our sustainability management and practices, including through ESG capacity building and alignment with international ESG assessment systems. We will then use such knowledge to drive better performance in key ESG areas, so as to create more value for our stakeholders.

A pivotal year for the 14th FYP, 2022 will also be a critical year for China's papermaking industry as it transitions to high-quality development and collectively builds a new development pattern. It will coincidentally be the 30th year since APP entered China. Placing the green transformation and digital and intelligent transformation strategies at the heart of company development, we will work together with our stakeholders to create a sustainable future while exploring ESG management and practices in the papermaking industry.

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# Sustainability/ESG Strategy

In 2021, APP China developed the 2030 Sustainability Strategy Framework and defined a three-year ESG roadmap under it. APP released the "Sustainability Roadmap: Vision 2030" ("SRV 2030") in 2020, specifying three major sustainability focuses for the next decade: energy saving and emission reduction, forest conservation, and community development. To APP China, the SRV 2030 has been an important guidance for developing its sustainability strategy. By ib03 s



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APP China Forestry's Key Biodiversity Conservation Measures

Forests are home to many species, and their ecosystems play an important role in the global ecosystem. With a long-standing commitment to protecting biodiversity, we continuously work to raise awareness of plant and animal conservation and carry out joint monitoring of plantations through sustained cooperation with third-party institutions. In 2021, APP China Forestry joined hands with a number of colleges, universities, and research institutes, such as Guangxi Academy of Sciences, Hainan University, and Guangdong Eco-Engineering Polytechnic, in carrying out projects on ecological monitoring, plant diversity monitoring, etc. In addition, APP China Forestry has incorporated relevant parameters for measuring biodiversity conservation and the maintenance of ecosystem stability into its annual environmental target indicator system and conducts continuous performance tracking.



Conducted ecological survey and monitoring with researchers

Only commercial forestland defined by the government is accepted.

Train contractors and operational workers in wildlife protection and fire safety during production activities.

Prohibit contractors and workers from using fire for production in the forestland, such as burning vegetated land or performing controlled burns.

Increase awareness of animal and plant protection.

Initiate timely protective measures for any protected plants or animals detected.

Conduct biodiversity monitoring and communicate with local forestry bureaus, forestry stations, and village committees to learn whether any protected wildlife is ever detected in the forestland; any wildlife detected is clearly marked on the plantation plan.

Prohibit contractors and workers from using controlled fire.

Organize fire safety training for contractors and workers.

## Tapping Water Saving Potential to Conserve Water

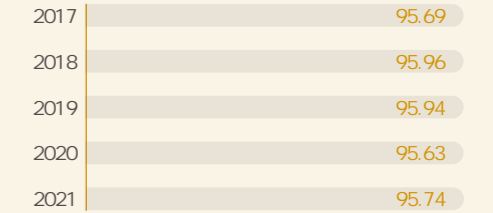


### Why is it important to us?

Water is the most precious resource for human beings. The growing population and worsening global climate change are making water scarcity an increasingly pressing challenge of our time. The *World Water Development Report 2021* issued by the United Nations Educational, Scientific and Cultural Organization (UNESCO) on "Valuing Water" puts the spotlight on the value of water and underscores the deep significance of raising people's awareness of water resources for resolving the water crisis. For pulp and paper companies, water is one of the most vital productive resources. Strengthening water demand and process management and promoting sustainable water use are therefore crucial aspects of their environmental responsibility.

APP China mills work diligently to optimize their water management mechanisms and continue to improve water use efficiency by conducting water-saving technology upgrades, scaling up water reuse, recycling rainwater, etc. Over the years, the average industrial water reuse rate of APP China mills remains above 95%. The figure reached 95.74% in 2021.

#### Average Industrial Water Reuse Rate of APP China Mills Within Reporting Scope in 2018-2021



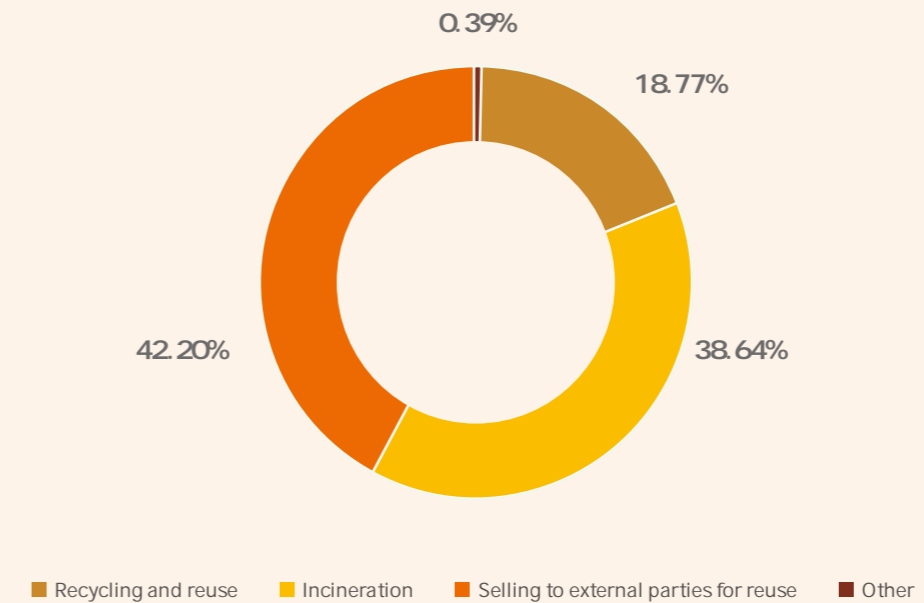
For the manufacturing sector, the comprehensive management of wastewater, air pollutants, and solid waste is the foundation for promoting green development and winning the battle for pollution prevention and control and a critical part of building a green production approach and a circular economy. Continuously strengthening the management of "three wastes" and reducing the environmental impact of the industry chain through the adoption of

### Solid Waste Management

As to solid waste, our mills have established management procedures for non-hazardous industrial solid waste and hazardous waste. The non-hazardous industrial solid waste generated during the manufacturing process includes fly ash, slag, sludge, lime sludge, gypsum, woodchips, slurry, etc., which the mills recycle and comprehensively utilize by selling

to external parties for reuse or through internal reuse, among other methods. For hazardous waste, the mills strictly follow the national hazardous waste list and identification standards and commission qualified third parties to dispose of in a legal and compliant manner.

Methods of Solid Waste Disposal at Mills Within Reporting Scope in 2021



In 2021, the comprehensive utilization rate of non-hazardous waste at APP China mills within the scope of reporting reached **99.25%**.







# Upholding Integrity and Compliance



## Why is it important to us?

Companies play an important role in promoting economic development, creating jobs, and driving technological advancement. The establishment of a sound corporate governance structure, risk management system, and business ethics management mechanism lays the groundwork for robust business operations and contributes to both business longevity and enduring economic and social development.

APP China has established the "Three Lines of Defense for Internal Control" management system to continuously strengthen risk identification and management, laying the groundwork for maintaining robust operations and sustainable development. We will continue to process

digitalization and use the big data generated during Digital 2.0 to empower better risk identification and analysis on issues such as abnormal transactions, fraud, and lack of work flows and systems in sales, procurement, production, logistics, and other business processes.

APP China is committed to the set of moral values built on the cornerstones of "Integrity and Commitment" and conducts business in compliance with adicond

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# Building a Responsible Supply Chain

## Why is it important to us?

The sustainability trend increasingly highlights the impact of the supply chain. Integrating ESG factors into the supply chain strategy helps companies identify and manage potential risks in the supply chain in a timely manner and drives progress in the ESG performance of industry chain partners. It thus contributes positively to the green, healthy, and sustainable development of industries and simultaneously benefits the economic, social, and environmental bottom lines.

