

TPL's Sustainability Policy December 2015

PT Toba Pulp Lestari Tbk ("TPL") is committed to responsible sustainable development in all its operational locations by implementing best practices in social, environmental and business.

We commit to eliminating deforestation from our supply chains and supporting best practice forest management in all locations where we source wood. We commit to respecting human rights and environmental aspects throughout our supply chain. Our goal is to be a good and responsible business partner in the local, national and global community.

Core to this policy is also a commitment to address social and environmental issues.

TPL's Sustainability Policy was developed with inputs from key stakeholders including Independent Team appointed by North Sumatera Governor, community and civil society.

The commitments made in this document apply entirely and exclusively to TPL, which is an independent public listed company operating in Indonesia. TPL will ensure that all of our operations – including our mill as well as our plantations and the natural forests in our concessions - comply with the commitments outlined in this policy, as well as Indonesia laws and regulations. We will source our raw material only through suppliers or subcontractors that abide by this policy and are transparent and provide a traceable supply (e.g. SVLK).

I. Long Term Sustainability

TPL's objective is to establish sustainable plantations that supply wood to its mill, provide employment and business opportunities and socio-economic wellbeing for the community. TPL and its suppliers will take a holistic approach to conservation of natural forest, sound environmental policies and social values:

- a. Effective immediately, TPL and its suppliers will conduct High Carbon Stock ("HCS") and High Conservation Values ("HCV") assessments on any new area targeted for development. HCS and HCV areas identified from these assessments will be protected, and TPL and its suppliers will ensure that fibre supply will not contribute to the degradation or loss of HCS and HCV forests;
- b. Only areas that are non HCS and HCV will be developed into plantations;
- c. TPL and its suppliers will use HCV Resource Network licensed assessors for HCV assessments. If such assessors are unavailable, TPL will refer to the Independent Team recommendations;
- d. TPL and suppliers will be guided by HCS Approach Steering Group;

- e. TPL halted harvesting of mixed hard wood on 30th June 2014, pending HCS and HCV assessments. Mixed hard wood harvested prior to 30th June 2014 have been utilized by its mill by September 2014;
- f. Any residual fibre cleared from non-forested land as defined by HCV and HCS such as scrub land, will be utilized by its pulp mill.

II. Forest Protection and Conservation

TPL enforced a self moratorium on 30th June 2014 of natural forest clearance pending the outcome of HCS and HCV assessments. This moratorium also will be applied to all third-party wood suppliers to TPL :

- a. Support the conservation in areas where TPL operates;
- b. Support biodiversity and carbon conservation initiatives.

III. Responsible Management Peatlands

TPL will adopt the following policy for peatlands:

- a. No new development on forested peatland;
- b. Ensure that HCV and HCS forested peatlands is protected;
- c. Implement international best practice management to reduce carbon footprint within the peatland landscape;
- d. No new development will take place within undeveloped concessions area on non-forested peatland until receiving input from the independent peat expert.

IV. Continuous Reduction of Carbon Footprint

TPL recognize the important of climate change and are committed to continuous reduction of carbon footprint by undertaking the following:

- a. Continuously improve its energy efficiency throughout the supply chain and optimize utilization of renewable energy;
- b. Carbon absorption through conservation and continuous improvements in sustainable plantation management practices;
- c. Constant application of “Reuse-Reduce-Recycle”, where possible;
- d. Reduce the company’s carbon footprint related to land use by avoiding deforestation and, where possible, through the protection of HCV and HCS.

V. Proactive Support of Local Communities

In supporting the wellbeing of local communities, TPL will continually seek opportunities to consult and align with the interests of communities and create shared values through:

- a. Strengthened efforts in alleviating poverty in rural communities around TPL’s areas of operation, through creation of jobs, better access to quality education, community empowerment and enhancement of rural livelihood;
- b. Pro-active Community Development ("CD")/Corporate Social Responsibility (“CSR”) activities especially village entrepreneurship businesses and farming systems;

- c. TPL will make available CD/CSR funds to support local community programs as stipulated in the deed of Paradigm Commitment Implementation Statement No. 54 dated 29th January 2003 and its addendum (if any);
- d. Inclusion of smallholders and/or small medium enterprises into TPL's supply chains, where appropriate;
- e. TPL will engage communities through regular meeting to obtain inputs on social issues and how to effectively overcome them for mutual benefit.

VI. Respect the Rights of Indigenous Peoples and Communities

TPL respects the rights of indigenous peoples and rural communities and are committed to the following:

- a. Respect the universal declaration of human rights, national laws and ratified international treaties on human rights and indigenous people;
- b. Respect of the tenure rights of indigenous peoples and rural communities;
- c. Respect of the rights of indigenous peoples and communities to give or withhold their Free, Prior and Informed Consent ("FPIC") within operation boundaries on lands where they hold legal, communal or customary rights prior to commencing any new operations;
- d. Resolution of all complaints and conflicts through mutually agreed, open, transparent and consultative processes that respect customary rights;
- e. No tolerance for the use of violence, intimidation or bribery;
- f. TPL to engage with communities, government, customers and civil society at the local, national and international levels;
- g. To develop Standard Operating Procedures (SOP) and maintain processes for the responsible handling of the list of all complaints from communities and other relevant stakeholders. These processes will be developed, updated, improved, monitored and reported to the Independent Team;
- h. TPL will adopt a transparent and accountable grievance mechanism and mutually agreed open, transparent and consultative dispute resolution processes that involves relevant stakeholders;
- i. TPL will maintain, update and agree on the list of conflicts and appropriate responses with communities and stakeholders.

VII. Clean Production

TPL will monitor and reduce its overall emissions and control waste water effluent by adopting best practices while taking into account its current design and operating environment.

VIII. Responsible Practices in Our Work Places

TPL commits to providing a safe, productive and conducive work environment where employees can contribute and advance, by ensuring specifically that:

- a. Respect of the International Labor Organization's Declaration on Fundamental Principles and Rights at Work;
- b. Recruitment best practices are in place, meeting all legal requirements and cultural practices;

- c. Freedom of association is respected;
- d. Diversity within its workforce is respected;
- e. If provided as part of the package, accommodation is safe and hygienic;
- f. The health and safety of workers is protected. TPL shall equip workers to protect them from exposure to occupational health and safety;
- g. No tolerance is given for child labor, forced labor or bonded labor;
- h. No tolerance is given for discrimination, harassment and abuse in any form.

IX. Legal Compliance and Certification

TPL goes beyond legal compliance toward achieving Sustainable Forest Management:

- a. Reaffirms its commitment to comply with all prevailing laws and regulations, and requires all its wood suppliers to do so;
- b. Participate in forest management certification schemes and encourages its wood suppliers to do the same;
- c. TPL currently has and will continue to maintain timber legality assurance system (SVLK) certification;
- d. TPL has strict “No Burn” policy and will follow the national legal requirement addressing impact of fires;
- e. TPL has a robust wood tracking system to ensure all the wood is traceable back to source. TPL will identify the origin of the pulp and plantations/wood fibre through mapping our entire raw material supply chain (chain of custody) back to the mills, plantations, and forest areas (e.g. through SVLK), and ensure the transparency and traceability of our own operations and forest concessions by June 30, 2016.

X. Good Corporate Governance, Verification and Transparency

TPL commits to best practices in good corporate governance and transparency.

- a. TPL will maintain an Independent Team established in 2004 to ensure transparency and implementation of this Sustainability Policy;
- b. TPL will provide regular progress updates to key stakeholders on the implementation of TPL’s Sustainability Policy;
- c. TPL will establish a transparent, responsive grievance mechanism with input from all concern parties and will respond to grievances in a timely and transparent way;
- d. TPL will work collaboratively with government, industry associations and other stakeholders to support sustainable forest development.