

# SUSTAINABILITY REPORT 2018



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# ABOUT THIS REPORT



PT Toba Pulp Lestari panoramic

Welcome to PT Toba Pulp Lestari Tbk (TPL)'s first sustainability report. TPL believes sound environmental policies followed by the implementation of rigorous strategies in sustainable forest management conservation and protection of endemic flora and fauna, waste reduction, pollution prevention and responsible environment management maximise socio-economic gains through minimized environmental impact.

## OUR REPORTING APPROACH

This report outlines TPL's sustainable development initiatives across its operations in Porsea, North Sumatra, Indonesia and its content prepared in reference to the Global Reporting Initiative (GRI) Standards. The material matters covered in this report are in alignment with the requirements of Indonesian Financial Services Authority - Otoritas Jasa Keuangan, ZSL's SPOTT assessment and GRI Standards namely:

- Sustainability Policy and Leadership
- Certification and Assurance
- Governance / Grievances
- Economic Performance
- Impact Assessments
- Land bank, Maps & Traceability
- Deforestation and Biodiversity
- Water, Chemical and Pest Management
- Health and Safety (Soils and Fire)
- Community and Labour Rights
- Smallholders and Suppliers

## REPORTING PERIOD

This report covers sustainability information from January to December 2018 (unless and otherwise stated).

## COMPANY INFORMATION

PT Toba Pulp Lestari Tbk

- Office : Uniplaza, East Tower 3rd Floor, Jl. Letjend.Haryono MT No. A-1 Medan 20231  
Mill : Desa Pangombusan, Kecamatan Parmaksian, Kabupaten Toba Samosir  
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## SCOPE AND BOUNDARIES

This report covers sustainability data collected from TPL and its fibre supplier operating in North Sumatra, Indonesia where the facilities for pulp manufacturing, productions forests are located in five sectors.

## SUSTAINABILITY ACROSS SUPPLY CHAIN

TPL implements sustainability strategy throughout its supply chain to achieve positive impact in Economy, Environment and Social going beyond the sustainability requirement laid out by Otoritas Jasa Keuangan, Indonesia (OJK).



PT Toba Pulp Lestari panoramic

# OUR BUSINESS OVERVIEW

## OVERVIEW AND HISTORY

TPL produces pulp and supplies to international market. The company is licensed to manage 185.016 hectares of industrial forest from which the sustainable fiber for its pulp manufacturing operation is grown and harvested.

## VISION

To become one of the best managed eucalyptus Pulp Mill, preferred supplier to our customers and the preferred Employer to Our People.

## MISSION

1. Generate Sustainable Growth.
2. Cost effective Producers in the segment we operate.
3. Maximize returns to stakeholders while contributing to local and regional socioeconomic development.
4. Create value through modern technologies, leveraged on our industry knowledge and human resource base.



Eucalyptus seedling in Nursery PT TPL

# MESSAGE FROM THE MANAGING DIRECTOR



## Welcome to TPL's first Sustainability Report.

The relationship between business and sustainability is constantly evolving. For us at TPL, the principles of sustainability are within our very DNA. Over the last 28 years, we have been committed to incorporating environmental stewardship, social contribution, and good governance into how we run the company.

2018 is the year we embark on highlighting our sustainability journey since the inception of TPL's Sustainability Policy in 2015. We worked hard to engage our stakeholders and to carefully, consider how we can bring our vision and mission into the next era for a sustainable business and economic performance. We understand that we need to look to our people and to include their inputs into formulating our future strategy and sustainability goals. In addition to engagement activities, we initiated the Multi-Stakeholder Forum, a platform where we can discuss our sustainability strategy with our employees, local communities, customers, suppliers, and NGOs as well as be transparent with them in discussing challenges and achievements in achieving our vision to be a responsible pulp producer.

Globally, there has been a push toward driving economic growth while maintaining our commitments to reach sustainable development through the United Nations Sustainable Development Goals (STPL CDG). At TPL we are

taking steps to align our initiatives to the SDG's and make our way towards achieving national and global targets.

With global consciousness towards climate change ever-growing, we have put environmental stewardship and forest management at the forefront of our sustainability goals and activities. Using our Environmental Policy and the Production Forest Sustainable Management Policy as the basis of our forest management, we make every effort to ensure that we achieve environmental compliance and performance through monitoring our carbon footprint closely. This year, we received the Programme for the Endorsement of Forest Certification's (PEFC) chain of custody certification. This demonstrates that material contained in our products originates from sustainably managed forests. TPL is also committed to implementing robust assessments before embarking on any new plantation initiatives. Since 2016, we have appointed independent experts to assess areas with High Conservation Value (HCV)/High Carbon Stock (HCS). These HCVs are areas in which there is a significant biological, ecological, social, and/or cultural value that is considered critically important.

We take the impact of our products seriously and do our utmost in managing waste responsibly as well as ensuring that our mills are constantly upgraded and apply only the most environmentally friendly processes while implementing best practices when dealing with hazardous or toxic materials. To further our commitment, we seek to embed our approach to environmental management across our supply chain and we include sustainability knowledge and management across our business operations to ensure our supply chain partners share the commitment.

It is not an exaggeration to mention that TPL's greatest asset is its people. Here at TPL, we want to foster a conducive, safe, and collaborative work

environment for our employees. We emphasize strongly our Health and Safety policies to ensure that our people's well-being is at the forefront of our priorities.

We continue to work hard to foster self-reliance in those communities that are connected to us. We tailor our programs towards fostering sustainable development for communities to be self-sufficient. TPL's leadership believes in providing employment opportunities within the areas where we operate as a way to fostering a robust community and fulfilling the company's social responsibility. One of the highlights of 2018 was seeing a large majority of TPL's procurement spending directed toward local suppliers. We aim to see more and more empowerment within local entrepreneurs and to encourage this by putting back what we can into the community. We also maintain a yearly contribution of 1% from TPL's net sales to the Community Development and Corporate Social Responsible fund.

TPL is fully committed to its sustainability goals but we recognize that there is still much more that we can do to ensure that we continuously improve on our sustainability performance. We take our governance mechanisms seriously to safeguard the effectiveness of our policies. We support initiatives that promote transparency and open communication such as the principle of Free Prior Informed Consent (FPIC) and enacting a well-structured Grievance Mechanism. These processes allow us to engage with our stakeholders and continually evolve our production, our operations, and our company vision.

We are excited at the opportunity to grow our company in a way that is sustainable and responsible.

**Vinod Kesavan**  
Managing Director,  
PT Toba Pulp Lestari Tbk

# STAKEHOLDER ENGAGEMENT AND MATERIALITY

## STAKEHOLDER ENGAGEMENT

GRI 102-40 | GRI 102-42 | GRI 102-44

TPL stakeholder groups are the communities that live in the areas surrounding our mill and forestry sectors as well as those that are integral to our business operations. They comprise of our shareholders, customers, employees and their families, NGOs, the Government of Indonesia at district, provincial and the national level, media, community, and suppliers.

TPL recognizes that although its operations are at a local level, the nature of our business has a global presence.

Thus, as part of understanding the concerns of our stakeholders and identifying the material matters

for our sustainability report, TPL identified the group of stakeholders and our mode of engagement with them.

TPL has adopted OJK's guidelines on sustainability reporting and has taken a more proactive approach by starting our reporting in 2018 with guidance from GRI and SPOTT indicators.

The table highlights the group of stakeholders identified as pivotal to TPL's operations, frequency of engagement and some key selected concerns shared by the stakeholders.

## MATERIALITY

GRI 102-47

To further our mission as a responsible business operator, TPL initiated a special activity above its standard and frequent modes of engagement. The Multi Stakeholder Forum (MSF) was conducted several times during the reporting period and it helped TPL to further collate the concerns that were important and impactful to its stakeholders.

From the results of the Multi Stakeholder Forum, TPL were able to identify 22 topic that made up the concerns raised by stakeholders. Through further analysis and consolidating the topics emerging from the MSF as well as the standard stakeholder

engagement activities mentioned in the table, TPL was able to identify 10 high priority material topic. These topics will be deemed as the key focus areas on which TPL will direct its sustainability strategy and covered in this report. The table showcases TPL's 10 materiality topics categorized into Environmental, Social and Governance aspect.

Stakeholder Group	Mode of Engagement	Frequency of Engagement	Concerns
Shareholders / Investors	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Extraordinary General Meeting</li> <li>Annual Report</li> <li>Announcements on corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>As needed</li> <li>Annually</li> <li>As needed</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Policy and Leadership</li> <li>Governance / Grievances</li> <li>Community and Labour Rights</li> <li>Smallholders and Suppliers</li> <li>Certification and Assurance</li> <li>Health and Safety (Soils and Fire)</li> <li>Landbank Maps Traceability</li> <li>Impact Assessments</li> <li>Deforestation and Biodiversity</li> <li>Water, Chemical and Pest Management</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Management Meeting with Labor Union</li> <li>Annual Appraisal</li> <li>Electronic communication</li> <li>Events (e.g. Family Gatherings, Department Gatherings, and Celebrations)</li> <li>Coaching and Mentoring by superiors</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> <li>Annually</li> <li>As needed</li> <li>Annually</li> <li>Once a day/ As needed</li> </ul>	
Customers	<ul style="list-style-type: none"> <li>Electronic Communication</li> <li>Customer Feedback channels</li> <li>Corporate website</li> <li>Sales/ Purchase Contract</li> </ul>	<ul style="list-style-type: none"> <li>As needed</li> <li>Annually</li> <li>As needed</li> <li>Periodically / As agreed</li> </ul>	
Government / Regulators	<ul style="list-style-type: none"> <li>License Processing</li> <li>Mill Visits</li> <li>Development Plan Discussions</li> <li>Ceremony/ Celebration of National, Religious or Cultural Days</li> <li>Handover of Community Development (CD) Assistance</li> <li>Plenary Meeting (e.g. Regional / Central Legislative / Government)</li> </ul>	<ul style="list-style-type: none"> <li>Periodically</li> <li>Monthly</li> <li>Annually</li> <li>Periodically</li> <li>As needed</li> <li>As needed</li> </ul>	
NGOs	<ul style="list-style-type: none"> <li>Company website</li> <li>Submission of Complaints</li> <li>Resolving Complaints</li> <li>Strategic partnerships and Cooperation</li> <li>Consultation on selected topics</li> </ul>	<ul style="list-style-type: none"> <li>As needed</li> <li>As needed</li> <li>As needed</li> <li>Periodically / As agreed</li> <li>Periodically / As agreed</li> </ul>	
Suppliers	<ul style="list-style-type: none"> <li>Meetings and Site Visits</li> <li>Supplier Assessment System (HCV)</li> <li>Electronic Communication</li> <li>Making of Agreement Contract</li> <li>Community Outreach (Gotong - Royong)</li> </ul>	<ul style="list-style-type: none"> <li>Periodically / As agreed</li> <li>Annually</li> <li>As needed</li> <li>Periodically</li> <li>Monthly</li> </ul>	
Local Communities	<ul style="list-style-type: none"> <li>FPIC</li> <li>Mill Visits</li> <li>Village Discussions</li> <li>Informal Meetings and Discussions</li> <li>Handover of CD Assistance</li> </ul>	<ul style="list-style-type: none"> <li>Periodically / As agreed</li> <li>Monthly</li> <li>Annually</li> <li>Daily</li> <li>As needed</li> </ul>	
Media	<ul style="list-style-type: none"> <li>Press Releases and News Publication</li> <li>Media Visits</li> <li>Media Gatherings</li> <li>Events such as Communal Breaking of Fast</li> <li>Informal Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Daily</li> <li>Monthly</li> <li>Monthly</li> <li>Annually</li> <li>Daily</li> </ul>	

Stakeholder Engagement Table

Sustainability Aspect Area	Material Topic
Governance	Sustainability Policy and Leadership
	Certification and Assurance
	Governance / Grievances
Environmental	Land bank, Maps & Traceability
	Impact Assessments
	Deforestation and Biodiversity
	Water, Chemical and Pest Management
Social	Health and Safety (Soils and Fire)
	Community and Labour Rights
	Smallholders and Suppliers

Materiality Table

# GOVERNANCE CHAPTER

## OVERVIEW

TPL believes wholly in accountable and sustainable development in all its operational locations. It is fully committed to implementing sustainability strategy that is built on the implementation of best practices across its social, environment and economic affairs in order to be a responsible business partner at the local, national and global level.

The practice of good governance starts at the highest level at TPL and we believe in the approach of leading by example. TPL's leadership understands the importance of transparency and implements accountability in the workplace, including strict compliance to all relevant legislation, endorsing policies that cover the protection and conservation of the forest while protecting the rights of communities within our operation.

To further improve TPL's responsible business practices, the company also seeks to enhance its

## SUSTAINABILITY POLICY AND LEADERSHIP

### Leadership in Sustainability

The global pulp and paper market require manufacturers and suppliers to be inherently sustainable. Sustainably managed fibre resources that are used to manufacture paper at mills must

GRI 203 | GRI 204 | GRI 205 | GRI 204 | GRI 205 | GRI 204  
| GRI 205 | GRI 402

best practices to ensure sustainable forest management. The regulatory and social capital team at TPL safeguards the execution of the sustainability policy, while actively undergoing third-party certification, a robust grievance mechanism system and international standard certification to ensure its commitment towards sustainable forest development.

TPL believes in sound sustainability policies that follows strong implementation strategies in sustainable forest management, conservation and protection of endemic flora and fauna, waste minimization, pollution prevention, responsible environmental management. The management believe that strict compliance to environmental regulation, community rights and transparent communication will, maximize the positive impact on the economy, environment and social aspects of TPL and its surroundings.

comply with sound environmental standards. The Indonesian pulp and paper industries is facing a challenge as they have to meet rising market demand (203,774 tons of pulp in 2017 compared to 161,598 tons in 2016, an increase of 26%) alongside criticism on environmental degradation.

The continuous demand for fibre resources from the international market has also seen an increase in requirements for more responsibly manufactured products from sustainably managed fibre resources.

TPL decided to respond to this challenge by becoming among the first of its kind in the industry to shift from business as usual to setting sustainable commitments in its operations.

TPL's new sustainable commitments as spelled in its document named, Paradigma Baru covers:

- mill-revitalization and machinery rejuvenation augmenting environmentally friendly operations;
- less waste and zero pollution;
- sustainable sourcing of wood supplies from reliable and responsible suppliers;
- rehabilitation of land within TPL's concessions;
- improvement of low productivity and low yield by planting more productive interspecies hybrids;
- improvement of the soil management system;
- proper drainages to reduce puddle issues; and
- The development of the communities surrounding TPL operations through employment and economic empowerment of local entrepreneurship.

### Sustainability Policy

The Sustainability Policy was launched in 2015 and was quickly followed by other policies that adhered to TPL's sustainability commitment such as the Environmental Policy, Management of Sustainable Production Forest policy, Grievance Mechanism and, the codification of principles and practice of Free Prior Informed Consent (FPIC).

TPL's Sustainability Policy was developed with inputs from key stakeholders including an Independent Team appointed by the North

Sumatera Governor, community and civil society.

The Sustainability Policy is a governance document addressing key sustainability issues (e.g. environmental and social). The aforementioned, document further includes eliminating deforestation from our supply chains and supporting best practice forest management in all locations where we source wood. TPL also commits to respecting human rights and environmental aspects throughout our supply chain.

TPL's Sustainability Policy is an extension to its sustainability commitment, Paradigma Baru covering:

1. Forest Protection and Conservation
2. Responsible Management of Peatlands
3. Continuous Reduction of Carbon Footprint
4. Proactive Support of Local Communities
5. Respect the Rights of Indigenous Peoples and Communities
6. Clean Production
7. Responsible Practices in Our Work Places
8. Regulatory Compliance and Certification
9. Good Corporate Governance, Verification and Transparency

## CERTIFICATION AND ASSURANCE

The increasing demand for fibre products mandate TPL to have mitigating controls in managing the environmental impacts of its operations to ensure environmental stewardship and continuous improvement. In recent years, TPL's major customers have also been increasingly demanding for responsibly manufactured products from sustainably managed fibre resources.

To ensure that these demands are met, TPL implemented third-party certification and verification aligned with national and international standards. This demonstrated TPL's compliance to environmental policies and commitment to sourcing its fibre needs from sustainably managed fibre resources.

### Certification on Fibre Resources

TPL achieved two types of third-party certification schemes. One was for TPL Fibre operation which

is pivotal in ensuring that TPL is sourcing its fibre responsibly. The second type of verification is The Programme for the Endorsement of Forest Certification (PEFC) and the Indonesian Forestry Certification Cooperation (IFCC) certifications respectively ensuring that the forest concessions where TPL's fibre plantations operate are in accordance with the national laws and regulations related to forestry.

Both these international standards provide supply chain tracing system that ensures fibre sources can be tracked from forest through to the mill and continue to become final product for customers.



Eucalyptus tree in Estate Aek Nauli

These are certification and international standards that TPL has obtained so far:



With these certifications, TPL's fibre resources are assured to be from a forest area that is legally allocated for production activity, free from high conservation value and high carbon stock forests. Additionally, TPL as the forest concession license holder has the relevant permits to manage the area and harvest fibre from its appointed concessions.

social performance of the company's forest management. These assessments include a management plan for the area to ensure that it is maintained in its original and natural state to provide environmental benefits and services to the wider eco-system.

Both certification schemes go beyond legal verification as it also reviews the environmental and

## GOVERNANCE AND GRIEVANCES

### Good Corporate Governance, Ethical Conduct and Transparency

TPL commits to best practices in corporate governance, ethical conduct, transparency and anti-corruption. Below are TPL's commitments in relation to implementation of good corporate governance, ethical conduct and transparency in its business processes are as following:

- TPL will maintain an Independent Team established in 2004 to ensure transparency and implementation of the sustainable practices.
- TPL will provide periodic progress updates to key stakeholders on the implementation of TPL's sustainable practices.
- TPL will establish an effective grievance mechanism with input from all parties concerned and will respond to grievances in a timely manner.
- TPL will work collaboratively with government, industry associations and other stakeholders to support sustainable forest development.

Further to this, the Audit staff working at TPL's operations are equipped with full training specialized in anti-corruption, such as departments related to finance and those with regular contact with external parties, for example procurement, sales and marketing. TPL terminates trading with

any supplier found to have breached anti-corruption regulation and/or guilty of corruption practices.

### Grievance Mechanism

TPL understands concern amongst local and international media over sustainability issues surrounding forestry plantations. This continues to be a critical issue that needs to be addressed despite the fact that TPL is committed to responsibly sourcing its fibre from sustainable resources.

Therefore, as a way for TPL to continuously grow in its sustainability journey, TPL endeavoured to formulate a direct channel of communication via an effective grievance mechanism for our stakeholder to communicate any grievances pertaining to our operations. This ensures that all stakeholders have access to provide TPL with feedback which can in turn be addressed by TPL. The grievance mechanism ensures that TPL is continuously informed of its stakeholders' grievances and identifies areas for improvement.

In 2018, a total of 112 grievances were recorded and resolved covering topic such as waste management, effluent and waste, sustainable forest management, emissions, occupational health and safety, carbon footprint, and sustainable land bank.

### TPL's Grievance Mechanism





*Eucalyptus sp.*

# GRIEVANCE REPORT

Grievances recorded in the period of 2018 were related to the following issues:

GRIEVANCE	TPL's RESPONSE
Waste management	TPL invests in innovative procedures and equipment to enact more efficient and environmentally friendly management of its waste, both solid and liquid. The waste undergoes several steps of containment refinement in order not to pollute the living conditions of communities in the surrounding areas.
Effluent and waste	Mill operation complies with strict government guidelines on the quality of wastewater. Samples are checked periodically by both internal and appointed external laboratories. The results are reported to the environment agency (Dinas Lingkungan Hidup).
Sustainable forest management	TPL announced a moratorium on natural fibre since June 2014, as it also commits to processing only fibre deriving from zero deforestation suppliers. TPL fibre division is PHPL certified and sourced from sustainable plantations.
Emissions	Gas emissions from the pulp mill and boiler are constantly monitored against the relevant government guidelines. Air quality surrounding our mills is also measured to ensure mill operations does not affect the air quality of the communities living nearby.
Occupational health and safety	TPL complies with national and international safety and security standards and guidelines. Employees are regularly trained to improve the way in which they work to ensure 100% compliance to existing safety and security protocols.
Carbon footprint	TPL continually improves its power operation sites, monitoring its carbon footprint and enhancing its responsible forest management (including peat land management), strengthening procedures in emissions reduction related to forest fires at the same time sequestering carbon in its operation.
Sustainable land bank	TPL adheres with Free Prior Informed Consent (FPIC) in its fibre operation. Prior to operating in an area, a Free Prior Informed Consent is established with the community.

# ECONOMIC CHAPTER

GRI 201-1 |

## OVERVIEW

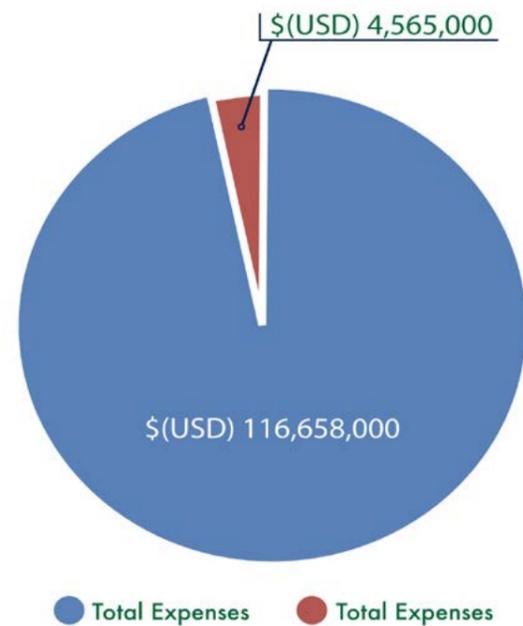
At TPL, we have never ceased in our mission to becoming a responsible organisation that believes firmly in creating value and contributing to the local and national agenda while staying relevant to global agenda. As a pulp producer, we strive to maintain a balance between the sustainability of the business and the business's sustainability initiatives. Thus, staying up to date with our stakeholders, helps TPL to maintain the equilibrium between economic value generated and sustainability.



Golden rice of beneficiaries Community Development Programme

## ECONOMIC PERFORMANCE

In 2018, TPL recorded approximately \$(USD) 121,223,000 in economic value generated (EVG). The detailed breakdown is as below.



No.	Expenses, Economic Value Distributed (EVD)	Value, \$ (USD)
1.	Cost of Sales	104,597,000
2.	Selling Cost	2,219,000
3.	General and Administrative (e.g. employee salary, retirement benefits, community development, etc.)	9,671,000
4.	Write Off (e.g. losses, etc.)	171,000
	Total	116,658,000

The economic value retained for the year 2018 is \$(USD) 4,565,000 before tax. Kindly refer to TPL's 2018 Annual Report Pg. 121 for further granular detail breakdown.

# ENVIRONMENT CHAPTER

GRI 307 | GRI 301 | GRI 304 | GRI 308 | GRI 302 | GRI 303 | GRI 306

## OVERVIEW

Responsible management of forest and efficient mill operation drives TPL's vision towards good environmental stewardship. Our Environmental Policy outlines responsible practices that will minimize negative environmental impacts, increase socio-economic benefits and mitigate risks so that the business will benefit all employees, consumers, shareholders, communities and other stakeholders. Listed below is the company's environmental commitments:

- Traceability of our forest resources. TPL is committed to managing plantation forests to ensure long-term and sustainable sources of raw materials, efficient use of resources and continuous efforts to align our forest management practices with "best practice" and/or international standards. TPL has a robust wood tracking system that ensures that all wood is traceable back to its source and maps the entire raw material supply chain back to the mills, plantations and forest areas.
- Commitment to conducting environmental impact assessments such as High Carbon Stock (HCS) and High Conservation Values (HCV) on new areas targeted for development of concessions. Identified areas with HCS or HCV

are protected ensuring non-degradation or loss of HCS and HCV forests. This also encompasses a periodic review of TPL's environmental management system to determine its effectiveness and ensure that all business activities comply with environmental legislation, policies and international targets.

- TPL's sustainable management of forest goals include biodiversity protection, management of flora and fauna as well as pollution prevention. TPL's conservation management plan includes zero deforestation of natural forests including no new development on forested peatland or new concessions on non-forested peatland until receiving input from a peat expert.
- Management of water, chemical and pests within TPL's concessions and its surrounding areas. TPL demonstrates its commitment and progress on water use intensity and water quality through its increased efficiency on water usage and monitoring of wastewater effluent. It pledges to adopt industry best practices by taking into account the current design and operating environment. Waste products and hazardous chemicals will be disposed according to the safest and highest standards.

## LAND BANK, MAPS AND TRACEABILITY

TPL manages 185.016 hectares of industrial forest concessions where the sustainable fibre resources used for pulp production is grown and harvested. Its manufacturing operation is under the Decree No. 493/Kpts-II/92 of Ministry of Forestry and Decree No. SK.179/Menlhk/Setjen/HPL.0/4/2017 of Ministry of Environment and Forestry. TPL and its suppliers endeavour to take a holistic approach to conservation of natural forest with sound environmental policies.

TPL and some of its fibre suppliers operate in North Sumatra, Indonesia where the facilities for pulp manufacturing, production forests are located in five sectors. TPL has obtained license to operate industrial forest concession in five sectors.

### Sustainable Fibre Supply Chain

The Indonesian climate and geography enables a high growth rate of fibres, creating the opportunity for businesses to thrive in the country. The development of TPL's Industrial forests in this region presents a healthy challenge in balancing sustainable development and economic growth in an area with high expectation on environment and social impact management. In order to manage these, TPL has adopted fibre management practices such as:

- Sourcing entire fibre resources from legal and responsibly managed plantations with compliance to relevant environmental standards equipped with third party verification and certification;
- Maintaining a balance of economic and social development whilst protecting and conserving

the surrounding environmental as well as enhancing economic welfare to surrounding communities in concession areas; and

- Ensuring responsible operations of the entire supply chain in line with TPL sustainability policy and adopting industry best practices.

Renowned third party credentials for product certification and labelling benchmark TPL's sustainable fibre supply chain. These covers the entire supply chain from the sourcing of raw materials to the content of our pulp product. TPL has embedded sustainability across the entire fibre supply chain across its product lifecycle.

### Traceability

TPL has a robust wood tracking system to ensure all the wood is traceable back to its source. TPL identifies the origin of the pulp through its mapping of its entire raw material supply chain (the chain of custody) back to the mill, plantation, and forest area (e.g. through SVLK), to ensure the transparency and traceability of its operation. Further to this, PEFC certification represents that the mill operates and sources from sustainably managed forest. All fibre resources are credible and do not originate from natural forests. Additionally, as a recipient of the PEFC supply chain certification, TPL ensures that all fibre sources utilized in production are traceable and non-controversial. Additionally, TPL's operations are PEFC and "Sistem Verifikasi Legalitas Kayu" (SVLK) certified and our suppliers are Indonesian Forest Certification Cooperation (IFCC) certified.

## IMPACT ASSESSMENTS

### High Carbon Stock (HCS) and High Carbon Value (HCV)

Natural forests hold large stocks of carbon and biodiversity. The HCS and HCV methodology is a tool to assess forest areas for protection from degraded lands with low carbon and biodiversity values. HCS and HCV are widely accepted tool to ensure a practical, transparent, robust, and scientifically credible approach in assessing land for clearing.

TPL and its suppliers conduct HCS and HCV assessments on any new area targeted for development, and only uses HCV Resource Network license assessors. HCS and HCV areas identified from these assessments are protected. TPL and its suppliers ensures that fibre supply will not contribute to the degradation or loss of HCS and HCV forests. TPL embarked on a self -moratorium of only developing areas that are non-HCS or non-HCV into plantations since 2016. This moratorium also applies to all its third-party wood suppliers.

### Continuous Reduction of Carbon Footprint

TPL recognizes the importance of climate change and is committed to the continuous reduction of our carbon footprint by undertaking the following:

- Continuously improve its energy efficiency throughout the supply chain and optimize utilization of renewable energy;
- To comply with national regulatory requirements and international best standards. TPL's mill have attained the ISO 14001 on Environmental Management Standards, an international standard recognized for sound environmental management system for an organization;

- To adopt (where applicable) the process of "Reuse-Reduce-Recycle";
- To operate in a reduced GHG emissions environment through reduced utilization of fossil fuels as energy sources in the mill, and increase of organic matters as source of energy; and
- To monitor the direct emissions from on-site power generation facilities as well as the air quality in the area surrounding the mill so that it is acceptable under government parameters.

TPL applies continuous emissions monitoring mechanisms to monitor mill air quality. The emission monitoring results are regularly reported to the Ministry of Environment. Air quality and emissions are filtered by equipment such as bag filters and Electrostatic Precipitators (ESP) within the exhaust systems to prevent harmful substances from reaching the atmosphere; also, scrubbers are utilized in the exhaust systems for chemical-related processes.

Beyond conducting various impact assessments and taking various carbon emission reduction approaches, TPL has taken one more step towards better environmental management system by adopting the Program for Pollution Control, Evaluation and Rating (PROPER) driven by Indonesia's Ministry of Environment. PROPER aims at public disclosure, environmental awards and reputational incentives as the motivating factor to fuel environmental improvement in industries. TPL mill has attained the BLUE PROPER category in 2016, 2017 and 2018.

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TPL and its suppliers are committed to achieving zero deforestation and zero conversion of natural ecosystems. In relation to biodiversity, aside from a self-enforced moratorium on natural forest clearance, which applies to our suppliers, TPL has made the following commitments to protecting biodiversity and forest conservation:

- No new development will take place on forested peatland. International best practice and reduction of carbon footprint activities have been implemented within the peatland landscape and, all HCV and HCS forested peatlands will be protected.
  - No hunting of protected species. TPL has prioritized protecting endangered and protected species via several initiatives. The no hunting policy is extended to the communities surrounding TPL operations and they have committed to not hunting protected flora and fauna.
- TPL is committed to protecting forested areas from illegal activities. It is included in TPL's Environmental Policy that TPL commits to carrying out ecosystem-representing landscape conservation, biodiversity protection, and management of protected flora and fauna. These has inspired environmental responsibility amongst its stakeholder groups (e.g. suppliers, community, etc.)
  - TPL has identified protected species within its concession areas and has a mapping of the international and national referenced standard with identified species of threatened concern and species classification. This species mapping and monitoring activity has been carried out since 2015. The species classification and mapping is based on the Indonesian National Regulations, International Union for Conservation of Nature (IUCN), and Appendices Cites.
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# DEFORESTATION AND BIODIVERSITY



Biodiversity in PT TPL's concession

## WATER, CHEMICAL AND WASTE MANAGEMENT

### Water Resource Management

For the pulp industry, water is an intensively used resource. As such, water resource management becomes a crucial process in the pulp process as a medium to extract fibres through steaming process. The majority of the water is recycled or returned to the mills' water source once treated. TPL measures and monitors water input, treatment and usage.

Similarly, resource efficiency at the operating sites is very closely related to efforts to reduce water use. For example, the use of water is reduced leading to the energy/power used to pump the water decreasing, and the energy to treat raw water into clean water to be used in the plant also decreases hence decreasing overall water and energy usage.

TPL's mill utilized 16.253 million m<sup>3</sup> water in 2017 and 14.145 million m<sup>3</sup> in 2018 showcasing 12.97 % in reduction.

### Clean Production

TPL monitors and reduces its overall emissions and controls wastewater effluent by adopting industry best practices in its current process design and operating environment. The waste from the production process of TPL concessions is divided into several categories, mainly hazardous waste, solid waste, and liquid waste.

#### 1. Hazardous Waste

Hazardous waste generated by the mill varies in forms. In 2018, the mill generated 17, 867 tons of

hazardous waste. The majority of hazardous waste are incinerated, sent to the landfilling, and re-used.

#### 2. Solid Waste

Align with the regulatory requirements of the Ministry of Environment and Forestry, solid wastes are managed by sending to the landfill, re-used as a fuel source in multi-fuel boilers (MFB) mixed with other organic fuel materials and used as compost/fertilizer at the plantation.

#### 3. Liquid Waste

The liquid waste that comes out from each process unit are sent to the Waste Water Treatment Plant (WWTP) to be processed further with the aerobic process to be treated. The WWTP process has no downside impact on the environment. Thus making it safe for the environment, while meeting quality parameters set by Indonesian law(s) and regulations.

### Chemical Usage

After the issuance of TPL's Pesticide Use Policy, TPL's forestry operations have gradually stopped the use of chemical pesticides/fertilizers that are prohibited by Annex 3 of IFCC standard 2013, World Health Organization (WHO) types 1a and 2b (2013), Stockholm Convention (2016) and Rotterdam Convention (2015). The table shown below is the list of industry-approved chemicals used in TPL.

No.	Brand Name	Active ingredients	Dose per Ha
1	Supremo	Isopropil amina glifosat 490 g/l	3 L
2	Gempur	Isopropil amina glifosat 490 g/l	3 L
3	Fastac	Alfametrin 15 g/l	200 MI
4	Confidor	Imidakloropid 200 g/l	100 MI
5	Matador	Lamda sihalotrin 25 g/l	200 MI
6	Masoil	Refined petroleum distilat	40 MI
7	Sanvit	Nonil Penol Polilglidikol eter 1255 L	70 MI
8	Metaprima	Metil metsulfuron 20%	40 MI
9	Metsul	Metil metsulfuron 20%	40 MI
10	Javelin	Metil metsulfuron 20%	40 MI
11	Ferterra	Chlorantraniliprole 0,4%	25 Kg
12	Gallant	Haloksifop-R-metil ester 108 g/l	1,5 L
13	Basta	Ammonium glufosinat 150 g/l	2,4 L
14	Golma	Oksifluorfen 240 g/l	1,1 L
15	Bayfolan	N 11%, P2O5 8%, K2O 6%, unsur-unsur hara mikro	200 MI
16	Dolomit	CaO 30%, MgO 18%	750 Kg
17	ZA	N 21%, S 24%	42 Kg
18	TSP	P2O5 46%	166 Kg
19	MOP	K2O 60%	42 Kg
20	Urea	N 46%	17 Kg

▲ List of Approved Chemicals Used in TPL



Water level checking in Waste Water Treatment Plant

# SOCIAL CHAPTER

## OVERVIEW

At TPL, our people and our commitment to socio-economic development remain as our biggest asset. We are not only committed to environmental and social responsibility but we encourage it amongst our stakeholders. Our day-to-day business activities has embedded health and safety as one of our top priorities. We also emphasize on the empowerment of our local and indigenous communities via high-value sustainable development programs and employment opportunities.

The following chapter outlines our efforts in a number of areas where we commit to enhancing the lives of the communities that surround us. Some of the key focus areas are as following:

- Prioritizing health and safety in the work place. We fully commit to providing a secure, safe and conducive environment for our employees and we take into account the highest occupational health and safety standards. We adhere to international regulation on human rights and non-discriminatory workplace. Safety and security are practiced at the highest level within our operations and this includes managing the surrounding areas of our operations and to make sure that our mills do not further contribute to pollution or cause hazard to the surrounding communities. We empower and educate our communities on issues such as responsive fire management and management of peatland areas.

GRI 401 | GRI 402 | GRI 403 | GRI 404 | GRI 405 | GRI 406  
| GRI 411 | GRI 413

- Community development and respecting the rights of local and indigenous communities as well as contributing to the socio-economic growth in our concession areas. We are committed in alleviating poverty in local communities and believe in creating opportunities by allocating dedicated Community Development funds toward supporting community programs. In terms of responsible forest management, we adhere to the principle of Free Prior Informed Consent (FPIC) and practice a robust conflict resolution mechanism.
- TPL is fully committed to empowering local entrepreneurs and smallholders. Alongside strict anti-corruption policy, TPL makes sure that local suppliers and entrepreneurs are encouraged to trade with the company and provide quality products. The out-grower scheme, named Program Tanaman Kehidupan and Perkebunan Kayu Rakyat encourages local communities to partake in timber planting on less productive lands and to work towards becoming smallholders suppliers to TPL.

## HEALTH AND SAFETY

### Responsible Practices in Our Work Places

Safety and security at TPL's operating sites comply with national and international standards.

We are committed to the implementation of occupational health and safety (OSH) in all our operating locations and communicate the OSH compliance protocols to all our suppliers and other relevant stakeholders. We provide training to our employees on safety, security protocols, and personal protection equipment (PPE) to improve their understanding and application. TPL commits to the objective of providing a safe, productive, and conducive work environment where employees can maximize their contribution and advancement. Below are some key commitments TPL observes in the workplace:

- Respect the International Labour Organization's Declaration on Fundamental Principles and Rights at Work;
- Ensure recruitment best practices are in place, meeting all legal requirements and cultural practices;
- Freedom of association is respected;
- Diversity within the workforce is respected;
- Safety and hygiene of accommodation;
- The health and safety of workers by providing PPE;
- Zero tolerance for child labour, forced labour or bonded labour; and
- Zero tolerance for discrimination, harassment and abuse in any form.

### Operational Safety, Security and Health

The operational safety, security, and health of our employees is a primary focus within TPL's pulp mill operations. Over the years, safety and security systems in TPL have been improved for better OSH management. TPL's Safety and Security procedures and preventive actions are committed towards zero incidents at the workplace. TPL is committed to continuously improving its OSH policies to ensure

smooth mill operation by embedding best practice guidelines in safety and security management. In addition to TPL operations adhering to the Indonesian work safety and health management system SMK3 (Sistem Manajemen Kesehatan dan Keselamatan Kerja), the fibre operations are certified by the internationally recognized OHSAS 18001 (Occupational Health and Safety Assessment Series - 18001) safety management system. In 2018, a reduction in lost time injury frequency rate (LTIFR) was recorded at 1.1 compared to 1.3 in 2017. In addition to that, a reduction in total recorded injury rate (TRIR) was at 8.1 in 2018 compared to 13.4 in 2017. Thus, the positive correlation between the measures taken in OSH in TPL and, LTIFR and TRIR is apparent.

### Responsive Fire Management

TPL takes the impact of fire very seriously. Therefore, a strict 'No Burn' policy and a task force in combating fire and fire management was established. The following are some of the measures taken by TPL in overseeing the impacts of fire:

- Zero tolerance for land clearance via burning. Notwithstanding this policy, TPL has in place a strong, well-trained taskforce in fire combat and management.
- TPL's fire combat team are also on the watch for community-inflicted fires within TPL's concessions because local communities often use it as the fastest, most cost-effective method for land clearance.
- TPL provides training to local people on spotting fires and tackling conflagration through the program Masyarakat Peduli Api (MPA).

### Fire Monitoring Activities at TPL

TPL's Fire Monitoring and Management team has procedures in place and conducts daily monitoring of hot spots and fire drills in all operational locations (including suppliers) by using AQUA, NOAA, TERRA, and SNPP satellites which are accessed from the National Institute of Aeronautics and Space (LAPAN) and the Karhutla Monitoring System of Sipongi.

Monitoring results reported every month to the Ministry of Environment and Forestry of Indonesia. TPL also implements fire prevention programs through activities such as:

- Developing policies on the prohibition of burning and fire control;
- Fire Risk Assessment (FRA);
- Weather forecasts;
- Provision of facilities and infrastructure for fire-fighting;
- Building water reservoirs;
- Providing training and socialization to relevant stakeholder on implementing forest and land fire control;
- Conducting fire-fighting drills; and
- Monitoring of fire via Fire Monitoring Tower and fire patrol.



Masyarakat Peduli Api Training

### COMMUNITY AND LABOR RIGHTS

#### Diversity in Workplace and Employee Rights

TPL considers its employees as its most important asset, and their commitment is pivotal to the company's success. TPL's recruitment policy exercises impartiality, and does not support any form of discrimination. TPL pays fair wages in accordance to Indonesian regulations and contributes to post-retirement benefits in compliance with Indonesian employment laws and regulations.

TPL respects worker's rights, complies with Indonesian employment laws, and recognizes its employees' rights of free association and collective bargaining. At present, there are six labour associations in TPL. Besides free association and collective bargaining, TPL exercises notice period for employees (30 days are stipulated for each employee individually), in line with Indonesian law. Additionally, in compliance to no child labour, the minimum employment age is set at 18 years old and above.

TPL is committed to creating an equal opportunity for all gender and maintains equal pay, facilities, medical benefits, and leave entitlement for its employees. In 2018, TPL's workforce consists of 74% male and 26% female.

#### Labour Unions

There are six Labour Unions in TPL where employees are free to associate themselves with relevant unions. Collective Bargaining Agreement and other negotiations between Labour Unions and Management apply to employees. Mill



Equipment monitoring at digester

management team works in collaboration with unions and employees. The six labour unions in TPL are:

- Pimpinan Unit Kerja Serikat Pekerja Pertanian Dan Perkebunan (SPP-KSPSI)
- Dewan Pengurus Komisariat Serikat Buruh Independen (DPK-SBI)
- Pengurus Komisariat Serikat Buruh Sejahtera Indonesia 1992 (PK-SBSI 1992)
- Pengurus Komisariat Federal Serikat Buruh Hutan Perakayuan Pertanian Serikat Buruh Sejahtera Indonesia (PK-FSB HUKATAN SBSI)
- Pengurus Pimpinan Serikat Pekerja Nasional (PSP-SPN)
- Pengurus Koisariat Serikat Buruh Sejahtera Independen (PK-SEJATI)

Discussions between management and union covers a wide range of topic such as health and safety, payroll, working hours, leave entitlement, and employee medical and social benefits that are discussed and revised on an annual basis.

### Contribution to Infrastructure

TPL strongly commits to improving the lives and living conditions of local communities. The company does these around its operating areas, primarily in the form of constructing roads and increasing accessibility to essential facilities such as schools, markets, places of worship, community fields and connecting routes between cities (villages, sub-districts and districts).

TPL also commits to infrastructure development such as repairing places of worship, repairing community centres, etc. To encourage the upkeep and sustainability of these infrastructure projects, TPL invites and encourages the communities to take part in the development of these projects. Furthermore, TPL participates in the development of educational programs, providing educational materials in the form of computers, marching band equipment, etc. In supporting the wellbeing of local communities, TPL takes an inclusive approach with communities towards creating shared value. Some of the efforts include:

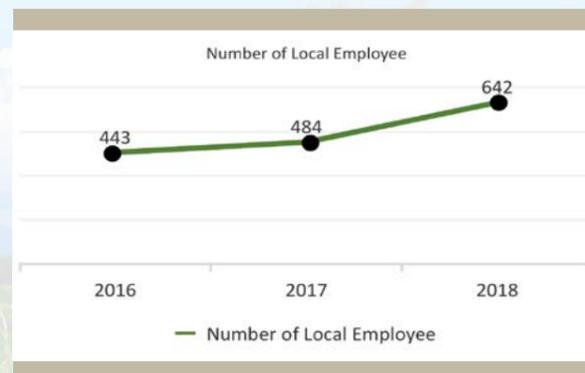
- Strengthening the initiatives in alleviating poverty in rural communities around TPL's areas of operation, creating job opportunities, better access to quality education, community empowerment and enhancement of rural livelihood;
- Pro-active Community Development ("CD")/ Corporate Social Responsibility ("CSR") activities primarily targeted at village entrepreneurship, setting up small businesses and farming systems;
- To make available CD/CSR funds to support local community programs as stipulated in the

addendum of the deed of Paradigma Baru Statement No. 05 dated 19th April 2017 where 1% of net sales channelled to the aforementioned, fund.

- Inclusion of smallholders and/or small medium enterprises into TPL's supply chains, where appropriate; and
- Engaging communities through regular meeting to obtain inputs on social issues and identifying effective solutions to overcome them.

### Local Talent

TPL is fully aware of its responsibility towards local communities in providing them with job opportunities. TPL's employment policies have a prioritisation for local hires as part of its local empowerment program. Recruiting of non-locals is undertaken only when a worker with a peculiar skill-set is not locally available. TPL has recorded a steady increase in employment from its surrounding localities from the year 2016 to 2018 as showcased in the graph below.



### Respecting the Rights of Indigenous People and Community

TPL respects the rights of indigenous peoples and rural communities and is committed:

- To respect the universal declaration of human rights, national laws and ratified international treaties on human rights and indigenous people;
- To respect the tenure rights of indigenous people and rural communities;
- To respect the rights of indigenous people and communities to the right of Free, Prior and Informed Consent ("FPIC") within operating boundaries on lands where they hold legal, communal or customary practice prior to commencing any new operations;
- To resolve all complaints and conflicts through

mutually agreed, open, transparent and consultative processes that respect customary rights;

- Zero tolerance in the use of violence, intimidation or bribery; and
- To develop a sound grievance mechanism to establish a transparent and consultative grievance resolution with external stakeholders.

### Free Prior Informed Consent (FPIC)

Free, prior and informed consent is one of the mechanism developed to strengthen the rights of indigenous people and/or local community over naturally available resources to respect, protect, fulfil and enforce the rights of indigenous.

The pictures displayed below are FPIC activities conducted by TPL in its operating areas.



Desa Lumbangaol  
Kecamatan Habinsaran



Desa Marihat Huta  
Kecamatan Dolok Panribuan



Desa Sibide Tengah  
Kecamatan Silaen



Desa Nagori Gorak  
Kecamatan Pematang Sidamanik

## SMALLHOLDERS AND SUPPLIERS

### Empowering Local Entrepreneurs

TPL's concession located in five sectors namely Aek Raja, Tele, Padang Sidempuan, Habinsaran and Aek Nauli. Around this five areas (outside TPL's licensed operating area), TPL selects and empowers its local suppliers based on their commitment on delivery, supply, quality, cost and lead-time. TPL favours local entrepreneurs and in 2018, a large majority of TPL's procurement spending were directed towards local suppliers. A total of, 232 local contractors working with TPL have been recorded for the year 2018.

### Community Forestry

In order to empower and improve the economy of the surrounding community, TPL has implemented Program Tanaman Kehidupan (TK) and Perkebunan Kayu Rakyat (PKR) by planting eucalyptus wood on less productive lands, both inside and outside TPL's concession.

The requirements for TK program are as follows:

- Non-reserve forest;
- Non-HCV area; and
- Allocated in the government land development plan.

The requirements for PKR program are as follows:

- Land located outside TPL's concession;
- Non-reserve forest;
- Private owned;
- Land Certificate from the Village Head and Camat; and
- The co-operation period is at least two harvest cycle.

These two programs were established as part of a sustainable profit sharing program with the local communities inside and outside of TPL concession as a way to develop the socio-economic and empowering the community.



Community's coffee farm

# TOBA PULP LESTARI AND UNITED NATIONS SDGs

TPL plans to elevate its socio-economic initiatives, identify more effective and impactful ways of taking a measurable approach in the community development programs that will contribute to UN SDGs 2030 global and national goals and target. In the year 2018, a total of 353 community development program with a total spending of

Rp 23.814.078.276 was spent across eight districts around TPL's operating area. A total of 75% from the total project contributed to 10 out of 17 UN SDGs indicators. The table below displays the detail breakdown of the contribution.



# GRI CONTENT INDEX

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Note: The Topic Specific aspect is not indexed in the table above as the GRI standard reporting framework was used as a reference and the spirit of GRI Standard management approach was used in development of the report narrative in alignment with material matters taken from SPOTT indicators.



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