

**PT TOBA PULP LESTARI TBK  
RESPONSE TO  
ALLEGATIONS REGARDING HS CODE CLASSIFICATION**

PT Toba Pulp Lestari Tbk (the “Company”) is a publicly listed company on The Indonesia Stock Exchange. The Company produces pulp from Eucalyptus trees that are sourced from its own sustainable plantation.

In response to recent allegations from an NGO which have been reported by media, the Company would like to clarify that all exported products have been reported in accordance with the prevailing laws and regulations. From 2010 to 2017, in response to customer demand, the Company produced two pulp products with the brand "Tobapulp HW", which is pure kraft pulp; and "Toba Cell Eucalytus Pulp", which is a kraft pulp with the application of surfactant to improve pulp reactivity as pulp extender for the production of viscose. Since the Toba Cell Eucalytus Pulp product did not meet the purity levels of dissolving grade pulp at the time of export, the product was included in the category and reported as kraft pulp using HS Code 4703.290000.

The Company continued to develop pulp products by improving purity quality until it succeeded in producing dissolving grade pulp in accordance with Indonesian National Standards. With this success achieved in March 2017, the Company began switching its production to dissolving grade pulp, and then invested in rejuvenating its 30-year-old mill so that it could efficiently produce dissolving grade pulp with consistent quality.

The selling price of the product has been in accordance with fair market prices. The Company is also periodically audited by an independent auditor, and the results of the audit are published in an annual report as part of good corporate governance practices. In conclusion, the company is fully committed to complying with prevailing laws and regulations, and would strongly reject any suggestion that the Company has understated its revenue.

06 November 2020  
**PT Toba Pulp Lestari Tbk**  
**Board of Director**