

PT Toba Pulp Lestari, Tbk's Sustainability Policy

Vision

PT Toba Pulp Lestari, Tbk. (TPL) aims to become a sustainable forest management and preferred world-class pulp producing organization.

Mission

We strive in developing the lives of our talent, ameliorating and harmoniously living with the community surrounding our operation, producing only from renewable resources, managing the forest sustainably and pursuing world-class standards in four aspects of sustainability – Economic, Environment, Social, and Good Governance.

Overview

TPL is an Industrial Forest Plantation Company that has obtained an IUPHHK-HTI license which is integrated in managing sustainable plantation forests and producing Eucalyptus pulp. TPL upholds the values of sustainability, transparency, and efficiency in its operation. This is achieved by prioritizing the global, national and sector level sustainability agenda together with the interests of stakeholders to bring benefits to our customers who use sustainable products.

TPL is committed to maintain its modus operandi at the highest quality while organically contributing to the global and national climate change agenda to promoting rehabilitation, using renewable energy and managing waste in line with industry best practice. We are committed to eliminating deforestation (including all forms of conversion of natural forest to agricultural or industrial plantations) from our supply chain and supporting sustainable forest management best practices.

We are committed to only sourcing from suppliers, that comply with TPL's sustainability policies, and provide traceability (e.g. wood supplier) align with industry sustainability standards (e.g. Timber Legality Verification System (SVLK), Sustainable Production Forest Management (PHPL) and Program for the Endorsement of Forest Certification (PEFC)).

This TPL Sustainability Policy has been developed based on input from stakeholders including the Independent Team formed by the Governor of North Sumatra and Sustainability Board. We openly and constructively engage with stakeholders such as customers, communities, government, non-governmental organizations (NGOs), media, suppliers, investors, and employees to ensure that we are always in line with our commitment to being industry leading sustainably managed forest and pulp producer. TPL is committed to grow the symbiotic relationship with stakeholders by providing jobs, business opportunities, developing communities, etc. This policy is an evolution from TPL's Sustainability Policy December 2015.

The commitment made in this document apply fully and inclusively to TPL and its suppliers. TPL will ensure that all of our operations - including mills, industrial plantation forests, natural forests within concessions, and our suppliers - comply with the commitments outlined in this policy.

I. Sustainable Wood

TPL's objective is to establish sustainable plantation that supply sustainable wood to its mill. TPL and its wood suppliers will take a landscape approach to the conservation of forests, environment, and important social values.

- Effective 30 June 2014, TPL and its suppliers will only develop non-forested areas, as identified through High Conservation Value ("HCV") assessments and High Carbon Stock ("HCS") assessments. The HCS and HCV areas identified from this assessment will be protected and ensure that the supply of wood will not contribute to the degradation or loss of HCS and HCV forests;
- Only areas that are non-HCS and non-HCV will be developed into Industrial Plantation Forests/*Hutan Tanaman Industri ("HTI")*;
- TPL and its suppliers will use licensed High Conservation Value Resource Network ("HCVRN") assessor for the HCV assessment. If the assessor is not available, TPL will refer to the recommendations of the Sustainability Board;
- TPL and its suppliers will be guided by the High Carbon Stock Approach ("HCSA") Steering Group for the HCS assessment;
- As of 30 June 2014, TPL and its suppliers stopped logging natural forests. Natural wood that has been cut before 30 June 2014 will be utilized by the mill before September 2014;
- TPL and its suppliers are committed to protecting natural waterways through buffer zones; and
- TPL and its suppliers are committed not to use genetically modified organisms.

II. Forest Conservation and Protection

TPL imposed self-moratorium voluntarily on not developing natural forests starting 30 June 2014 pending the results of the HCV and HCS assessments. This moratorium will also apply to all TPL wood suppliers. In addition, TPL is;

- Committed to supporting conservation and restoration in ecologically, hydrologically, and culturally important areas where TPL and its suppliers operate;
- Committed to supporting biodiversity and carbon stock conservation initiatives in areas where TPL and its suppliers operate; and
- Commit to implementing best practice of reducing the impact of logging from TPL's fiber operation and its supplier's operation areas.

III. Peatland Management

TPL and its suppliers supports the Government of Indonesia's target of reducing greenhouse gas emissions from land-use activities by adopting a peatland management and protection policy according to the IUCN definition of peatland as follows:

- As of 30 June 2014, TPL and its suppliers are not develop any peatland forest at any depth; and
- TPL will ensure that HCV and HCS in peatland forests are protected.

IV. Continuous Reduction of Carbon Footprint

TPL recognizes the importance of climate change and is committed to continuous reduction of carbon footprints across all of TPL's operations by doing the following:

- Reducing the company's carbon footprint related to land-use change by avoiding deforestation and protecting HCV and HCS areas;
- Increasing the carbon sequestration through conservation and continuous improvement in sustainable forest management practices;
- Improving the efficiency of raw materials and energy throughout the supply chain and optimizing the utilization of renewable energy; and
- Implementing "Reuse-Reduce-Recycle" for the materials used to reduce the waste generated.

V. Community Development

TPL will continue to support the welfare of local communities and continue to seek opportunities to consult and align with community interests and create values mutually agreed upon through:

- Strengthening efforts in community engagement towards sustainable development programs;
- Pro-active Community Development (Community Development or "CD")/Corporate Social Responsibility ("CSR") activities, especially in the fields of education, culture and religion, job creation and skills development, environment, and health;
- Provision of CD/CSR funds to support local community programs as stipulated in the deed of Statement of Implementation of Paradigm Commitments Number 05 dated April 19, 2017, and its amendments (if any);
- Strengthening the social return on investment on sustainable development programs via systematic approach to programs and nurturing symbiotic relationship between TPL and community;
- Include smallholders and/or Micro, Small, and Medium Enterprises (MSMEs) in the TPL supply chain, if possible; and
- Localizing the United Nations Sustainable Development Goals (UNSDG) indicator and systematically contributing to the goals and targets.

VI. Respecting the Rights of Indigenous Peoples and Rural Communities

TPL and its suppliers respect the rights of indigenous peoples and rural communities, and are committed to:

- Respecting and supporting the Universal Declaration of Human Rights, national laws, and ratified international treaties on human rights and indigenous peoples;
- Respect the property rights of indigenous peoples and rural communities to safeguard their rights in accordance with applicable laws and regulations on their lands, resources, territories, livelihoods, or food security;
- Respect the rights of indigenous peoples and rural communities by implementing the principle of Free, Prior, and Informed Consent (FPIC) within the boundaries of operations on lands where they hold customary legal rights by applicable laws and regulations, before starting any new operations
- Zero tolerance for the use of force act of intimidation, or bribery;

- Ensure internationally accepted best practices regarding FPIC are implemented and actively engage with communities, governments, customers, and civil society at local, national, and international levels;
- Enabling the sustainable use of non-timber forest products (NTFPs) by indigenous peoples and rural communities.

VII. Clean Production

- TPL and its suppliers continuously strive to operate at the highest level of quality adopting industry best practices on reducing greenhouse gas emissions by consuming energy sourced from renewable energy.
- TPL and its suppliers are committed to complying with applicable regulations, the requirements of the World Health Organization (WHO) Type 1a and 2b (2013), the Stockholm Convention (2016), and the Rotterdam Convention (2015) regarding the use of pesticides and other chemicals. We are also committed to making efforts to reduce the use of pesticides and other chemicals in all operations of TPL and its suppliers.

VIII. Responsible Practices at Work

TPL and its suppliers are committed to providing a safe, productive, and conducive work environment. This commitment applies to everyone, regardless of gender, ethnicity, religion, race, and inter-group. TPL, employees, contractors, and non-permanent employees (temporary, seasonal, part-time, other workers) will ensure specifically the following:

- Respecting the International Labor Organization's Declaration at Work on Fundamental Principles and Rights at Work;
- Complying with all labor laws and regulations, Collective Labor Agreements (PKB) that have been agreed upon by TPL and trade unions; and
- Upholding recruitment best practices, meeting all legal requirements and cultural practices including proactively recruiting qualified workforce from local communities.

IX. Legal Compliance and Certification

TPL complies with applicable laws and regulations to achieve Sustainable Forest Management as follows:

- Reaffirming its commitment to comply with all applicable laws and regulations, and requiring all wood suppliers to do so;
- Participating in sustainable forest management certification schemes and encouraging wood suppliers to do the same;
- Maintaining its existing SVLK, PHPL, and PEFC certifications;
- Zero tolerance to "No Burn" commitment and following national legal requirements to address the impact of fires;
- Committed to carrying out sustainable forest management following social impact assessment (SIA) and/or environmental impact assessment (EIA) such as AMDAL; and
- Maintaining a strict Chain Of Custody (COC) system to ensure that all incoming timber can be traced back to its origin. TPL will identify the origin of raw materials (timber) by mapping our entire raw material supply chain (COC) back to mills, HTI, and forest areas (such as SVLK, PHPL, and PEFC), and ensure transparency and traceability of our operation and forest concessions starting June 30, 2016.

X. Good Corporate Governance, Verification, and Transparency

TPL is committed to embedding best practices in its organization with robust corporate and sustainability governance and transparency.

- TPL has develop other operational level policy in extension to this Sustainability Policy to support our commitment towards our journey to become a sustainable and transparent organization. The operational level policies are as follow:
 - Biodiversity Policy;
 - Human Rights Policy;
 - Anti-Corruptions Policy
 - Occupational Health and Safety Policy
 - Quality Policy (ISO 9001);
 - Chain of Custody Policy;
 - Environmental Policy (ISO 14001);
 - Sustainable Production Forest Management Policy;
 - Genetic Engineering Policy; and
 - Pesticide Use Policy.
- TPL will maintain an Independent Team formed in 2004 and sustainability governance structure formed in 2020 to ensure transparency and implementation of this Sustainability Policy.
- TPL will periodically convey the progress of the implementation of TPL's Sustainability Policy to key stakeholders via its periodic reporting.
- TPL accepts all grievances via its grievance mechanism and conflict resolution leading towards a collective agreement, open, transparent, and consultative process to respect the rights of indigenous people by involving relevant stakeholders. This process is managed, monitored, and reported to the Independent Team and provide appropriate responses to the community and stakeholders, and will continuously improve the mechanism (remediation) while maintaining its prompt effectiveness to respond to complaints in a timely and transparent manner.
- TPL will work closely with government, industry associations, and other stakeholders to support its corporate and sustainability vision and mission.
- TPL is committed to zero tolerance for all forms of corruption, bribery, and extortion.