

Investing for the future

2019 SUSTAINABILITY
REPORT

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ABOUT THIS REPORT



“As a pulp company situated in North Sumatera, we acknowledge the economic, environment and social impact, our operations’ has on its surrounding vicinity. Therefore, PT Toba Pulp Lestari, Tbk (PT TPL) has been committed to reporting its sustainability initiatives by adopting the Global Reporting Initiative (GRI) Standards, reporting framework and contributing to the goals and targets established in United Nations Sustainable Development Goals (UNSDGs).

Sustainable Development Goals (SDGs) are a global action plan agreed upon by world leaders, including Indonesia, to end poverty, reduce inequality, protect the environment, etc. SDG lists 17 objectives and 169 targets. In 2019, PT TPL has contributed to eight SDGs (SDG 1, SDG 2, SDG 3, SDG 4, SDG 6, SDG 7,

SDG 8,SDG 9) via programs such as community empowerment, environmental monitoring and continuous improvement around our operating areas in synergy and integrated with related stakeholders.

In 2019, PT TPL received a Project Based CSR and Business Sustainability award under the “Women Empowerment” category at the CECT Sustainability Award 2019. This achievement strengthens our efforts to contributing towards UNSGD’s set goals and targets.

PT TPL’s enthusiasm and performance in economic, environment and social aspects has been in a continuum of growth with its recent BLUE ranking received in PROPER for the period 2018 2019.



Our Reporting Approach

This 2019 Sustainability Report cover TPL’s sustainable development initiatives across its Mill operations in Porsea and all Plantation operation in North Sumatera, 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.

Reporting Period

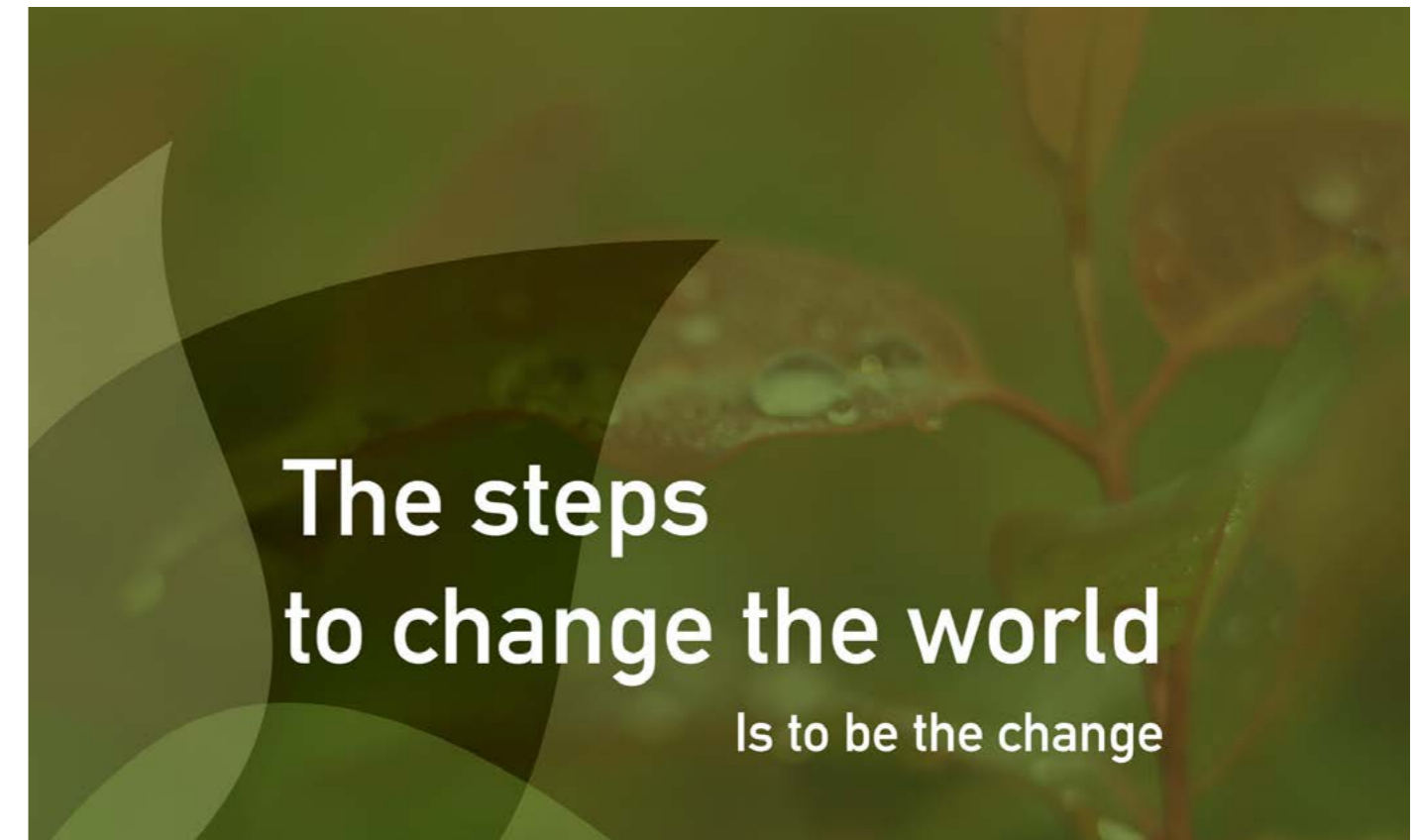
This report covers sustainability information from January to December 2019.

Scope And Boundaries

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

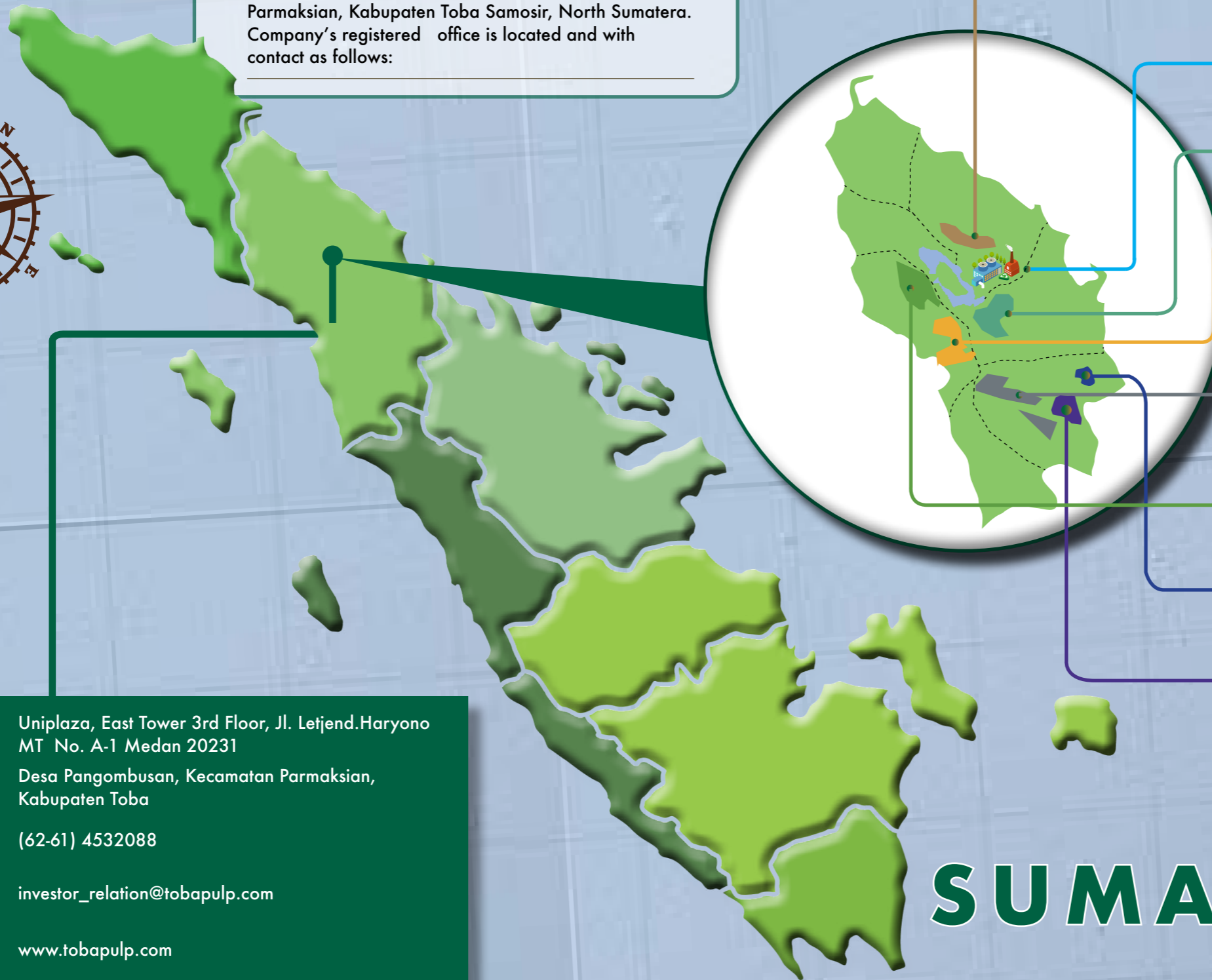
Sustainability Across Supply Chain

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).



Company Information

Company is domiciled in Medan, North Sumatera, with its mill located in Desa Pangombusan, Kecamatan Parmaksian, Kabupaten Toba Samosir, North Sumatera. Company's registered office is located and with contact as follows:



PT TOBA PULP LESTARI TBK

ESTATE AEKNAULI

98°50'00" BT
02°40'00" LU

MILL

02°27'49.84" BT
99°11'11'47.29" LU

ESTATE HABINSARAN

99°50'00" BT
02°07'00" LU

ESTATE AEK RAJA

98°42'00" BT
01°54'00" LU

ESTATE TAPANULI SELATAN

99°13'00" BT
01°15'00" LU

ESTATE TELE

98°20'00" BT
02°15'00" LU

THIRD PARTY SUPPLIER

SEI KEBARO

100°11'26" BT
01°26'08" LU

GARINGGING

99°47'31" BT
01°10'49" LU



Uniplaza, East Tower 3rd Floor, Jl. Letjend.Haryono MT No. A-1 Medan 20231



Desa Pangombusan, Kecamatan Parmaksian, Kabupaten Toba



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investor_relation@tobapulp.com



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SUMATERA

REPORT HIGHLIGHT



RND AND NURSERY



Use Cloning method to produce seeds with 2 Unit Control Nursery for seed production

WOOD SUPPLY



Wood Source
35 % Own Consession
57 % Supplier Partner
8 % PKR Area

PULP SUPPLY



PT TPL has transported 185.160,67 Tonase Product to the customer per year

PLANTATION



Plantation Area 40,88 %
Livelihood Area 31,99%
Conservation Area 26,84 %

TPL's Concession is IFCC Certified and PHPL Certified

OUTGROWER SCHEME



7.174 ha Perkebunan Kayu Rakyat (PKR)

PULP PRODUCTION



99,65 % of our energy produce from renewable energy
88,06 % of our water are recycled
Certified ISO 14001 and ISO 9001

CUSTOMER



Product from PT TPL will be processed to become rayon by our customer

MD MESSAGE

Welcome to the 2019 Sustainability Report for PT Toba Pulp Lestari Tbk

Here at TPL, we want to highlight that we are constantly evolving to improve ourselves. 2019 has been no different in our progress towards achieving a more sustainable, responsible and healthy company that is better equipped to face future challenges. We aim to highlight our progress not just in business achievement but also in creating value for our stakeholders through our efforts in addressing economic, environmental and social opportunities and risks through our robust governance system.

In formulating this report, we engaged with our stakeholders in various ways, which include engaging with our employees, customers, suppliers, NGOs and local communities on a regular basis through activities such as forums, communication events, etc., as well as disseminating information through our website and social media platforms. This is to ensure that we are using every available channel to discuss challenges, be transparent about roadblocks as well as share our achievements in our journey.

Our pillars of sustainability have always rested on TPL's Core Values. We commit to the highest standards of governance in six main areas – TOPICC (Complementary Team, Ownership, People, Integrity, Customer, and Continuous Improvement) and this is evident across TPL's policies, procedures and business practices. We endeavour to bring our Vision and

Mission into the coming decades by formulating a strategy that incorporates our core values and sustainability goals.

This year, we would like to turn our focus on improvements to our mills that we have made to ensure that our business puts environmental stewardship and community enhancement at the front of our sustainability goals and activities. The completion of our mill enhancements in 2019 was a significant step in TPL's progress toward having an environmentally friendly and energy-efficient mill. We have invested more than USD \$100 million on factory revitalization and we are continuing to constantly improve our production systems at the mill. This commitment on mill upgrades by replacing old machinery with the latest technology is expected to increase efficiency, reduce emissions and, most significantly to reduce odour.

At TPL, we are conscious of the effect of our production to those that are living within the vicinity of our operations, so, with the new cold-blow systems installed at the mill, the odour generated in the pulp cooking process will be significantly reduced, with less effects on the health and safety of our communities. In addition, we have installed an automatic factory control system that ensures, both water and energy consumption are significantly reduced during production. This ensures that our environmental effects and carbon footprint is closely monitored and managed.

As mentioned, our Core Values are always at the forefront of how we run our operations and we want our employees to have the same sense of integrity

instilled in them. We understand that in order to achieve a positive and productive business, we must work together as one. Our people are given the opportunity to not only improve on their day-to-day work, but also to improve on their own skills. Training has been an integral part of our operation. We want our people to know that it is never too late to learn new skills and to strive to be the best version of themselves. Increasing our knowledge, skills and productivity will bring benefit to not just the company and ourselves but it will also contribute to the wider community and help in national development.

We look to the sustainable development of our local communities and, TPL constantly commits to contributing in this area. The team at TPL works hard to make sure that our Community Development (CD) programs consistently add value to the local people that live within our concession areas. In addition, we make sure that 1% of our yearly net sales goes toward these programs and it has proved to be an effective method of making positive impacts on the larger community.

As always, our hope here at TPL is to instil a sense of moral integrity as well as productivity to all our stakeholders. We understand that the advancement of our business, our people, customers, community and shareholders is closely linked and that we must hold on to our values, vision and mission as we strive towards materialising a sustainable future.



VINOD KESAVAN

Managing Director

BACKGROUND

WHO WE ARE – TPL BUSINESS OVERVIEW

TPL is a leading global company that focuses on eucalyptus pulp manufacturing and supply. The company was established in 1983 and has license to manage 184.486 hectares of industrial forest from which the sustainable fiber for its pulp manufacturing operation is grown and harvested.

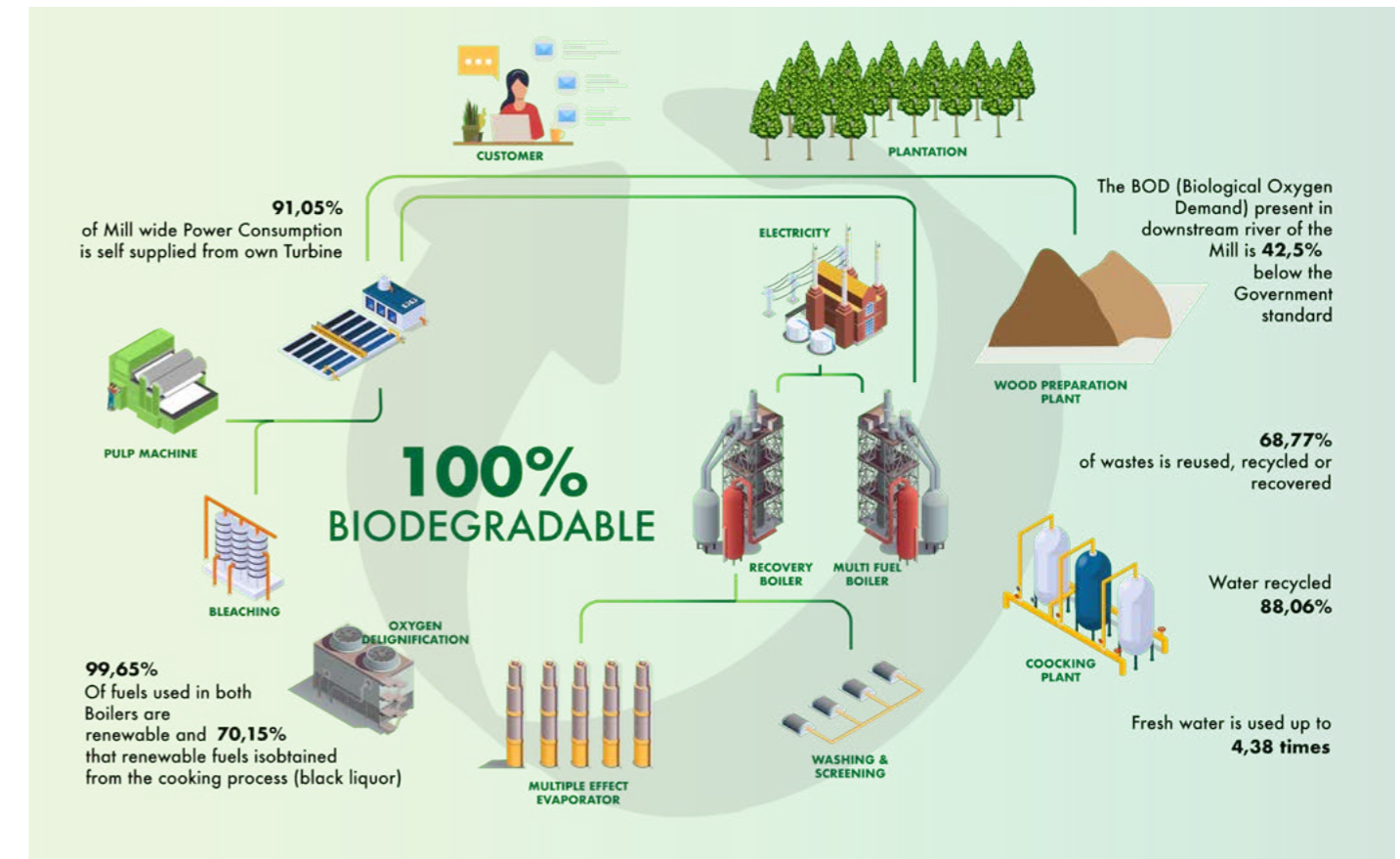
TPL and its fiber supply partners operate in, North Sumatra, Indonesia where the facilities for pulp manufacturing and production forests are located in 5 sectors. TPL markets its products to both an international and local market.

“A sustainable business is resource efficient, respects the environment and is a good neighbour”

- Phil Harding



TPL'S CIRCULAR MILL PROCESS



The mill process in TPL is unique as it is run with utmost efficiency in mind. In addition to this, TPL perform a factory revitalization project to increase its efficiency in 2019. The project included replacing older machines with the latest technology. TPL's mill uses a circular process that ensures that there is minimal wastage. This includes a factory control system that runs automatically making sure there is less possibility of a system 'shutdown' which in turn increases efficiency and reduces water consumption.

The production system also uses a cold blow system which means the temperature used for the pulp cooking process is below 100 degrees Celsius. This ensures that the odor generated during the cooking process is significantly reduced.

The info graph above shows the mill's circular process highlighting the energy efficiency, water efficiency as well as 100% biodegradable product closing the loop on machine utilization and environmental management.

BACKGROUND

VISION AND MISSION

VISION:

To become a well-managed eucalyptus pulp factory, and to become a supplier preferred by our customers and a company preferred by our employees

MISSION:

- To Produce sustainable growth

- To become a cost effective producer
- To maximize profit for stakeholders and contribute to socio-economic improvement of the local and regional community
- To create value through modern technology, industrial knowledge, and human resources

CORE VALUES

CORE VALUES:

TPL believes that our business should not only contribute positively to the bottom line but also add value to our people which include our employees, customers, suppliers and shareholders as well as minimize potential environmental risks that arise as a result of our operations.

Therefore, we implement a culture of integrity across the board through our Core Values. TPL's Core Values, T.O.P.I.C.C are the glue that holds together the organization and it is a guideline to how we should conduct ourselves in our daily business and to strengthen our own set of ethical standards.



Complementary Team



Ownership



People



Integrity



Customer



Continuous Improvement

To help all of TPL's stakeholders understand our Core Values better, we stand by the acronym T.O.P.I.C.C.

COMPLEMENTARY TEAM: We are aligned by our common purpose and work together as a complementary team.

OWNERSHIP: We take ownership to achieve outstanding result and seek value at all times.

PEOPLE: We develop our people to grow with us.

INTEGRITY: We act with integrity at all times.

CUSTOMER: We understand our customers and deliver best value to them.

CONTINUOUS IMPROVEMENT: We act with zero complacency and always strive for continuous improvement.

5C PRINCIPLE

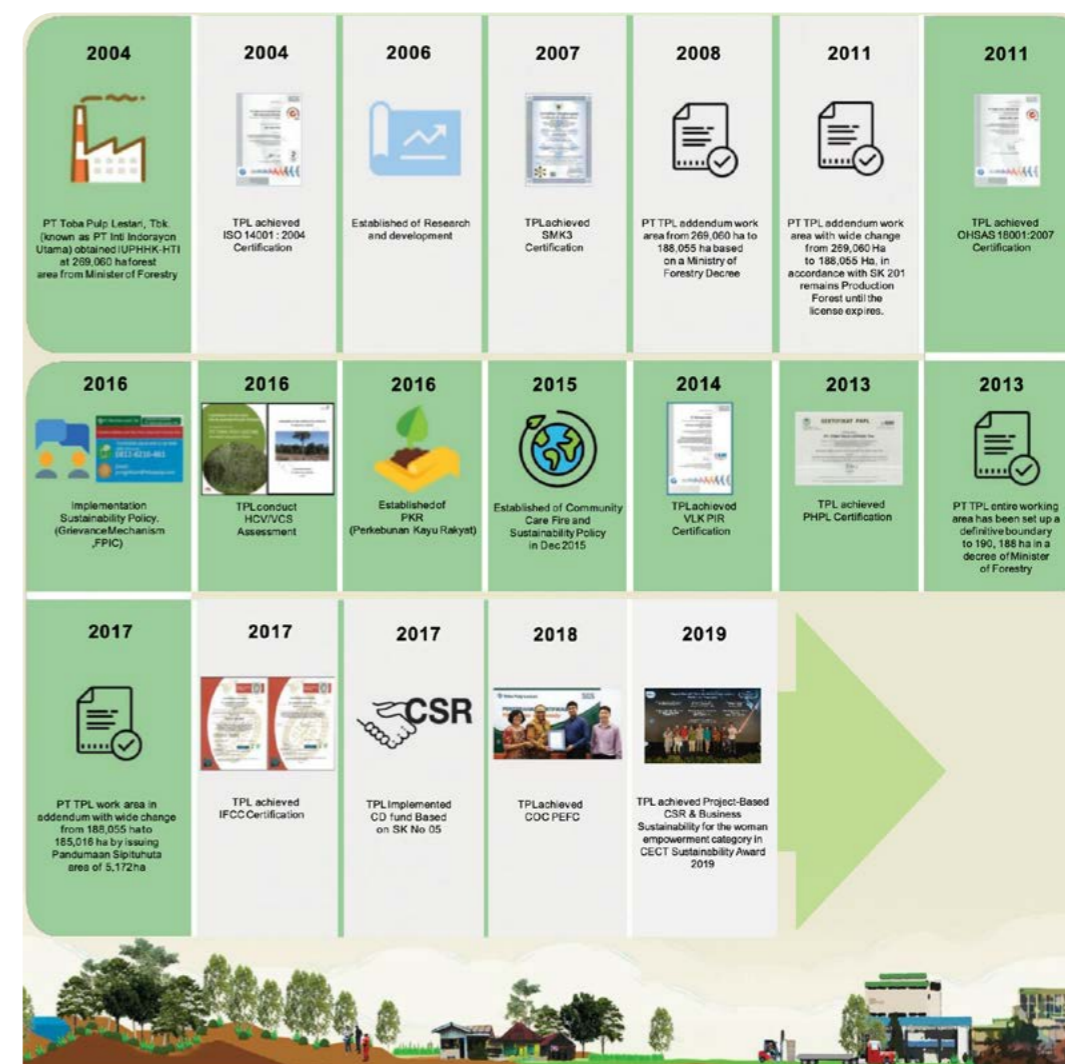
The company's maintain a 5C principle, core values and is further guided by the Company's Code of Conduct. The 5C principle is TPL's commitment to the following: Community, Country, Climate, Customer, and the Company. This policy was built on the foundation of

having a clear development strategy for the future and to ensure that all stakeholders have a clear understanding of their role in building a sustainable future for the company.

TPL'S KEY MILESTONES

As we work toward building a positive future for all our stakeholders, we have been able to look back on some of the key milestones that have helped us get to where

we are today. Below are some of the highlights of our business since 2004.



CERTIFICATION AND AWARD

In 2019 PT TPL received Certifications and Awards from various national and global institutions. In total there are 9 certifications and 3 awards given to PT TPL as shown in the table below:

CERTIFICATION	CERTIFICATION BODY
PEFC/IFCC Sustainable Forest Management	Bureau Veritas Certification
PEFC/IFCC Chain Of Custody	Societe General de Surveillance (SGS)
Pengelolaan Hutan Produksi Lestari (PHPL)	PT Ayamaru Sertifikasi
Timber Legality Verification (VLK) – Mill	Societe General de Surveillance (SGS)
Timber Legality Verification (VLK) – Perkebunan Kayu Rakyat (PKR)	Societe General de Surveillance (SGS)
Occupational Safety And Health Management System (SMK3)	PT Sucofindo
Occupational Health and Safety Assessment Series (OHSAS)	Societe General de Surveillance (SGS)
ISO 9001: 2015 Quality Management System	Societe General de Surveillance (SGS)
ISO 14001: 2015 Environmental Management System	Societe General de Surveillance (SGS)
Kementerian Lingkungan Hidup dan Kehutanan (KLHK) Republik Indonesia	Program Penilaian Peringkat Kinerja Perusahaan (PROPER) ranked BLUE
CECT Trisakti	CECT Sustainability Awards - kategori ISO 26000 – Pengembangan Masyarakat, Project-Based CSR and Business Sustainability (Company) – Women Empowerment
Indonesia Climate Change (ICC) Forum- KLHK	Best Stand II for Company / BUMN Category

CERTIFICATION

CENTER FOR ENTREPRENEURSHIP, CHANGE AND THIRD SECTOR SUSTAINABILITY AWARDS 2019



AWARD



THE 9TH INDONESIA CLIMATE CHANGE (ICC) FORUM AND EXPO 2019

STAKEHOLDER ENGAGEMENT

TPL stakeholder groups are the communities that live in the areas surrounding our operation as well as those that are integral to our business operations.

They comprise of our shareholders, employees and their families, NGOs, the Government of Indonesia at district,

provincial and the national level, media, community, suppliers and customers.

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 modes of engagement with them.

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

Shareholder/Investor



Mode of Engagement
<ul style="list-style-type: none"> Annual General Meeting Extraordinary General Meeting Annual Report Announcement on corporate website

Frequency of Engagement
<ul style="list-style-type: none"> Annually As needed Annually As needed

Concern

Economic Performance, Sustainable Policy and Leadership, Certification and Assurance

Employees



Mode of Engagement
<ul style="list-style-type: none"> Management Meeting with Labor Union Annual Appraisal Electronic Communication Events (e.g. Family Gatherings, and Celebrations) Coaching and Mentoring by Superiors

Frequency of Engagement
<ul style="list-style-type: none"> Per two month Annually As needed Annually Once a day/As needed

Concern

Health and safety, Diversity and equal opportunities, Business ethic

Customer



Mode of Engagement
<ul style="list-style-type: none"> Electronic Communication Customer Feedback channels Corporate website Sales/Purchase Contract

Frequency of Engagement
<ul style="list-style-type: none"> As needed As needed As needed Periodically/As agreed

Concern

Forest management practices, Product sustainability, Product carbon intensity

Government/Regulators



Mode of Engagement
<ul style="list-style-type: none"> License Processing Mill Visits Development Plan Discussions Ceeremony/Celebration of National, Religious or Cultural days Handover of Community Development (CD) Assistance Plenary Meeting (e.g. Regional/Central Legislative/Government)

Frequency of Engagement
<ul style="list-style-type: none"> Periodically Monthly Annually Periodically As needed As needed

Concern

Pulpwood supplier management, Compliance, Environmental performance, Economic impacts

NGOs



Mode of Engagement

- Company website
- Submission of Complaints
- Resolving Complaints Strategic partnership and Cooperation
- Consultation on selected topics

Frequency of Engagement

- As needed
- As needed
- As needed
- Periodically/As agreed
- Periodically/As agreed

Concern

Forest management practices, Human rights, Conflict resolution

Suppliers



Mode of Engagement

- Meetings and Site Visits
- Supplier Assessment System
- Electronic Communication
- Making of Aggrement Contract

Frequency of Engagement

- Periodically/As agreed
- Annually
- As needed
- Periodically/As agreed

Concern

Forest management practices, Thrid party certification, Supplier assessment

Local Communities



Mode of Engagement

- Community Outreach (Gotong royong)
- FPIC
- Mill Visits
- Village Discussions
- Informal Meetings and Discussions
- Handover of CD Assistance

Frequency of Engagement

- Monthly
- Periodically/As agreed
- Monthly
- Annually
- Daily
- As needed

Concern

Employment opportunities, CSR programmers, Mills environmental impacts, Indirect economic impacts

Media



Mode of Engagement

- Press Release and News Publication
- Media Visits
- Media Gatherings
- Events such as Communal Breaking of Fast
- Informal Meetings

Frequency of Engagement

- Daily
- Monthly
- Monthly
- Annually
- Daily

Concern

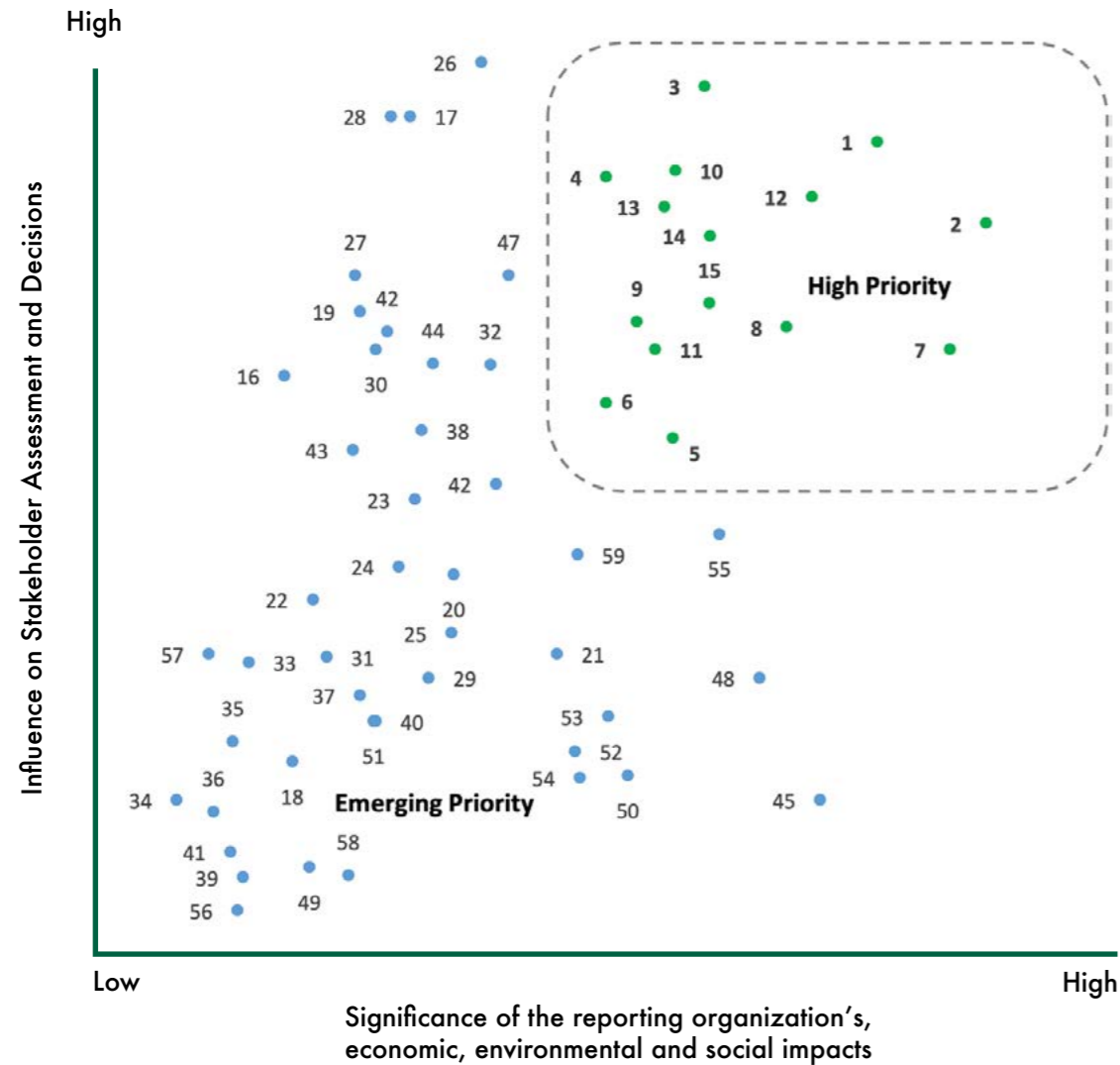
Forest management practices, CSR programmers



MATERIALITY MATTERS

To identify the material matters for TPL's 2019 Sustainability Report, TPL held a Stakeholder Engagement (SE) via an online system with all eight groups of stakeholders. The Online SE method had some added advantage for TPL to achieve zero restriction to place, time, cost and carbon footprint. This approach assisted TPL to reach out to a bigger

crowd in acquiring a meaningful and balanced response. The stakeholder engagement performed in 2019 is planned to be used for the year 2019, 2020 and 2021 in order to establish an impactful and meaningful roadmap towards a sustainable stakeholder engagement.



MATERIALITY MATTERS

ASPECT	INDEX	INDICATOR
ECONOMIC	201-1	Direct economic value generated and distributed
	201-3	Defined benefit plan obligations and other retirement plans
	203-1	Infrastructure investments and services supported
	203-2	Significant indirect economic impacts
	205-2	Communication and training about anti-corruption policies and procedures
ENVIRONMENT	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	304-2	Significant impacts of activities, products, and services on biodiversity
	304-3	Habitats protected or restored
	308-1	New suppliers that were screened using environmental criteria
SOCIAL	401-3	Parental leave
	402-1	Minimum notice periods regarding operational changes
	403-4	Health and safety topics covered in formal agreements with trade unions
	404-1	Average hours of training per year per employee
	404-2	Programs for upgrading employee skills and transition assistance programs
	416-1	Assessment of the health and safety impacts of product and service categories

GOVERNANCE

GRI 102-18 to GRI 102-39

OVERVIEW

We aim to continue our commitment to uphold good governance practices throughout the company and the management advocates the core principles of good governance in all our business activities. TPL is guided by recommendations made from the regulatory authorities such as the Financial Services Authority (Otoritas Jasa Keuangan or OJK) as well as the

company's Code of Ethics and Sustainability policies. TPL implements its economic, social and environmental affairs with good corporate governance in mind as it is our goal to be a responsible business partner at a local, national and international level.

SUSTAINABILITY GOVERNANCE STRUCTURE

Our systematic governance structure provides a framework on how we can implement our principles of good governance across to our business operations and encourage consistency in our efforts to review

and assess our progress. It is a strategic collaboration between our Board of Commissioners, Board of Directors and senior management.

GOVERNANCE

Economic		Environmental	Social	
Good for Customer	Good for Company	Good for Climate	Good for Community	Good for Country
<ul style="list-style-type: none"> Adhere to customer requirements to provide high quality pulp Implement certification schemes such as IFCC, PHPL, VLK, ISO, SMK3 and OSHA. 	<ul style="list-style-type: none"> Implement OSH best practice Mill upgrade (new digester) Maximize production in a cost effective 	<ul style="list-style-type: none"> Conduct HCV/ HCS assessments Implement environmental management system in mill and strengthening sustainable management system in fibre Monitor hotspot in all operational area 	<ul style="list-style-type: none"> Management and implementation of community social development programs, (i.e. the company's CSR programs) Implement Free Prior Informed Consent (FPIC) Grievance mechanism 	<ul style="list-style-type: none"> Hire local staff Engage local contractors Contribute on the regional and national Human Development Index (HDI) Contribute to tax payments Comply with all relevant government regulation (ie. OJK)

SUSTAINABILITY COMMITMENTS

Launched in 2015, TPL's Sustainability Policy is the key governance document for the company in terms of environmental and social commitment to address key sustainability issues. This document was developed with inputs from key stakeholders that includes an Independence Team, appointed by the North Sumatera Governor, local communities and civil society.

To become the best in class in our sustainability efforts, we support only the highest standards in forest management and responsible mill operations. To illustrate this, TPL is the first of its kind in the industry to shift from business as usual to setting sustainable commitments in its operations beyond its existing sustainability policy via a commitment policy, named Paradigma Baru.

Our sustainable commitments which are outlined in this policy extend to all layers of our business including our

I. Long Term Sustainability

To have a holistic approach towards forest conservation and pursuing business opportunities and to implement High Carbon Stock (HCS) and High Carbon Value (HCV) assessments on new areas targeted for development. As of 30th June 2014, TPL has halted harvesting of mixed hard wood.

II. Forest Protection and Conservation

A self-moratorium on natural forest clearance has been enforced by TPL since 30th June 2014 which also applies to all TPL's third-party wood suppliers. Going forward, the company advocates conservation initiatives in its concession areas.

mills, plantations and the management of natural forests in our concessions.

In our effort to eliminating deforestation from our supply chains and supporting best practice forest management in all locations, we source wood with compliance to respecting human rights and environmental aspects throughout our supply chain. We source our raw material only through suppliers or subcontractors that abide by this policy and provide us with transparency and traceability in the supply.

Sustainability policy spells out our commitment through areas which are important to our core values of sustainability as a responsible pulp producer. These commitments are as outline below:

III. Responsible Management of Peatlands

To ensure that no new developments take place on forested peatlands and that no new developments take place on non-forested peatlands without significant input from experts and necessary international standard assessments are made.

IV. Continuous Reduction of Carbon Footprint

To recognize the importance of climate action and commit to carbon footprint reduction by improving energy efficiency throughout TPL's supply chain, implement responsible plantation practices for carbon sequestration, avoiding deforestation particularly of HCS and HCV areas and incorporating the Reduce, Reuse and Recycle ethos across our operations.

GOVERNANCE

V. Proactive Support of Local Communities

Ensure that efforts are made to alleviate poverty and support is given to local smallholders and suppliers through Community Development (CD) activities that encourage entrepreneurship, education and inclusion of these smallholders into TPL's supply chain. To actively engage communities for open dialogue on issues and enhancement of rural livelihoods.

VI. Respect the Rights of Indigenous Peoples and Communities

To respect the human and tenure rights of indigenous peoples and rural 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; and to resolve conflicts and complaints through a systematic grievance process and that all engagement is conducted in a transparent and consultative manner.

VII. Clean Production

To monitor all emissions and waste water effluents and to take into account design and operating environment to help reduce carbon footprint.

SUSTAINABILITY POLICIES

Mill Division

The management of TPL believes that responsible management of our mills against potential environmental risks will contribute positively to the business and will benefit all stakeholders.

VIII. Responsible Practice in The Workplaces

Commit to provide a clean, safe, inclusive, and conducive work environment. To respect freedom of association and to have zero tolerance for harassment, discrimination or abuse as well as child or forced labour practices.

IX. Legal Compliance and Certification

To go above legal compliance in forest management and encourage certification with its suppliers. Continue to maintain timber legality assurance system (SVLK) certification; To maintain a strict No Burn policy and a robust wood tracking system to ensure traceability of its wood supply.

X. Good Corporate Governance, Verification and Transparency

To maintain an Independent Team to safeguard transparency in the enactment of Paradigma Baru and establish a responsive grievance mechanism.

Mill Environmental Policy

TPL is committed to fulfil its compliance obligations and other environmental related requirements to improve environmental performance, efficient usage of resources such as raw materials, energy and water as well as benchmark its performance against best practices in the pulp industry.

Toba Pulp Lestari Sustainability Policy

Manufacturing (Mill)

1. Mill Environmental Policy
2. Quality Policy
3. Mill OSH Policy
4. Chain of Custody Policy

Plantation (Fiber)

1. Sustainable Forest Management Policy
2. Fiber Environmental Policy
3. Fiber OSH Policy
4. Genetical Modified Organism Policy
5. Pesticide Usage Policy

We also commit to the principle of community empowerment and actively support high-value sustainable development programs to assist communities to be more self-reliant. TPL will periodically review the environmental management system to determine effectiveness of implementation and ensure that the business conditions are in compliance with environmental policy objectives and targets.

Quality Policy

The management of TPL firmly believes that products that add value to stakeholders are the foundation of our business. The success of TPL depends on our ability to continue to meet and satisfy customers' requirements; fulfilling the needs and expectations of stakeholders. TPL is committed to maintaining a Quality Management System that conforms to prevailing ISO9001 standards. We also commit to inspiring a working environment conducive to motivate employees, increasing shareholders' value and encouraging quality responsibility and standards amongst our business partners, suppliers and contractors.

OSH Policy

TPL believes that work can be done safely and accidents can be prevented. TPL will do their best to protect the safety and health of our employees and all those who may be affected by our business activities. TPL aims to achieve and maintain a high standard for our health and safety system with the full cooperation of our employees.

Excellence in health and safety will support business excellence and all employees have a role to play in preventing injuries and illnesses. Communication as well as training of all employees is essential to achieve the best performance with respect to health and safety.

Chain of Custody (COC) Policy

TPL participates in global Sustainable Forest Management certification schemes and will continue to maintain timber legality assurance certifications, and is continually improving on the PEFC-COC Management System. TPL has a robust COC tracking system and mill wood sourcing monitoring system to ensure all the wood is traceable back to the source.

GOVERNANCE

Fiber Division

Sustainable Forest Management Policy

We believe that the good management of forest land today will be beneficial for the future. The Management of TPL believes that the implementation of good management of forest with regard to timber utilisation, silvicultural techniques, environmental stewardship and social responsibility, maintains the value of forest as a source of timber and other forest products, whilst maintaining the biodiversity functions, conservation of soil, water, and catchment areas as well as other ecosystem functions.

Fiber Environmental Policy

TPL is committed to complying with applicable legislation and other environmental related requirements, improving environmental performance on an on-going basis, managing plantation forests in alignment with forest management best practices and to encourage environmental responsibility among partners. TPL is also committed to review the environmental management system periodically to determine effectiveness of the policies in place and ensure that business conditions are in compliance with environmental policies, objectives and targets.

OSH Policy

TPL believes that every employee is responsible and entitled to a working environment that is safe which will motivate fellow employees to take responsibility for a safe and healthy working space. Injuries and accidents at work can be prevented and no job is important enough that employees or contractors are at risk of

injury from completing the tasks in a hurried manner. TPL aims to improve the health and safety standard in line with industry best practices and Occupational Safety and Health K3 (Keselamatan dan Kesehatan Kerja) Standards.

Genetically Modified Organism Policy

TPL declares that NO Genetically Modified Organisms are used or are present in licensed areas or areas where research takes place under TPL's direct and indirect responsibility.

Pesticide Usage Policy

TPL is committed to strictly using pesticides and other materials in accordance to laws and regulations such as in Annex 3 IFCC Standard 2013, World Health Organization (WHO) type 1a and 2b (2013), Stockholm Convention (2016) and Rotterdam Convention (2018).

TPL is also committed to manage the use of pesticide in a healthy manner in accordance to K3 Standards. The usage of pesticides is documented to ensure adherence to legal requirements and usage guidelines. TPL is also committed to prioritize the usage of biological and non-chemical methods and minimising the usage of chemical pesticides.

CERTIFICATIONS

Surveillance Audit on PEFC COC certificate (The Programme for the Endorsement of Forest Certification Chain Of Custody) for Mill on February 25, 2019 March 01, 2019 with the result "Comply".

First surveillance on Sustainable Production Forest Management (PHPL) on September 16 25, 2019 from PT Ayamaru Sertifikasi with the result "Good"

Surveillance Audit on ISO 14001:2015 on Environmental Management System for the activity of Manufacture of Bleached Kraft Pulp, Plus Associated Utilities, Chemical Recovery Operations and Chemicals Manufacture on May 06 - 10, 2019 from SGS United Kingdom Ltd with the result "No Major & 3 Minor CAR and 13 Observations for Improvement."

Re-certification on Gold Flag certification for Health and Safety Management System (SMK3) Certification Plantation Forestry for Pulpwood Production on October 14 - 16, 2019 with the result: "Achievement implementation 93.37% and implementation stage satisfied".

Surveillance Audit on IFCC ST 1001:2014 certificate on Sustainable Forest Management on November 11 - 16, 2019 with the results of "No Major & 2 Minor CAR and 15 Observations for Improvement" which conducted by PT Bureau Veritas

Surveillance Audit on ISO 9001:2015 certificate for Quality Management System for the activity of Manufacture of Bleached Kraft Pulp, plus Associated Utilities, Chemical Recovery Operations and Chemicals Manufacture on September 09 - 12, 2019 from SGS United Kingdom Ltd with the result "No Major & Minor CAR and 15 Observations for Improvement"

Surveillance Audit on OHSAS 18001:2007 in work Health and Safety for Plantation Forestry for Pulpwood Production on May 20 - 25, 2019 with the results of "No Major & 2 Minor CAR and 30 Observations for Improvement" which conducted by PT. SGS Indonesia.

Surveillance Audit on ISO 14001:2015 certificate for Environment Management System for Forest Plantation of Pulpwood Production activities on May 20 - 25, 2019 from SGS United Kingdom Ltd with the result "No Major & 1 Minor CAR and 22 Observations for Improvement".

Surveillance Audit on Wood Legality Verification Certification (SVLK) on June 17 - 21, 2019 with the results : "Comply".

GOVERNANCE

TPL'S CORPORATE GOVERNANCE

CODE OF ETHICS AND PRINCIPLES OF ETHICS

At TPL, we are dedicated to maintaining the highest integrity and standards of ethics. We strive to act with integrity, honesty and mutual respect in every relationship and business transaction. The Code of Ethics applies to all members of the Board of Commissioners, the Board of Directors, and all employees of the Company.

Code of Ethics on Work Environment

All employees are required to perform their duties with discipline and to maintain a safe and healthy work environment. TPL will not tolerate harassment, acts or comments that are of ethnicity, religious, or racial in nature. Any humour, jokes, comments or behaviour in the work area which can cause uncomfortable or uneasy work environment will also not be tolerated.

Threats, acts of violence, ownership of any weapon in the work area, use, distribution, sale, and ownership of prohibited drugs or other substances, except where prescribed for medical usage are not tolerated by TPL. Further, employees that are under the influence be it prohibited drugs, alcohol or substances that are not medically prescribed are prohibited from the Company premises or work site. The only exception for alcohol consumption within the premises is at Company events that have been approved by management.

Code of Ethics on Professional Integrity

We take serious efforts to ensure that we act with integrity, honesty and mutual respect in all relationships and business transactions. Employees are to act in a professional manner when dealing with customers and their employees.

We strive to ensure that relationships with customers, producers, suppliers, competitors and their employees must always be based on the values of justice and healthy competition that put quality, price, and service as priorities and follow all applicable rules and legislation.

Code of Ethics on Bribes, Gifts and Entertainment

TPL does not tolerate any form of bribery. Employees are prohibited from receiving gifts in any form, including cash or presents of any kind from any party in the course of performing their duties. With the exception of normal meals and other common insignificant gifts bearing the logo of the other party during a business transaction, an employee may not accept, directly or indirectly, commission, rebate, service fee, loan, or gift from a company which is currently or will be a supplier of goods or services to the Company.

A gift or entertainment offer in any form deemed inappropriate must be reported to the Department Head/Manager of the respective employee or to Human Resources Department Head immediately.

Employees are also prohibited to misuse products or funds of the Company.

Code of Ethics on Conflict of Interest

Employees are not allowed to use their position in the company or information gained during employment in a way that can lead to conflict of interest between the company and the personal interest of the employee. Should a conflict of interest occur between personal interest of the employee and the TPL, the employee must always prioritise the Company's interest.

Without official written approval by TPL, no employee is allowed to have any relationship with the buyers, producers, or suppliers of goods and services to the Company that can cause conflict of interest between the duties and responsibilities of the employees and other interests or obligations.

The employees, during their work period and for 12 months after the termination of employment, are prohibited, directly or indirectly, from running, or bind themselves to run a business, trade, or do works that may compete with the Company.



GOVERNANCE

GRIEVANCE MECHANISM AND WHISTLEBLOWING

Grievance Mechanism

The Company has a Grievance Redress Mechanism policy in place with various managers identified to be responsible for managing the grievance process which includes managing the process in an area or sector, clarification and verification of the evidence, preparation of the documentation, determining the form of settlement, discussion to reach agreement with the complainant and monitoring of the measures of settlement. The complainant can express their grievance orally, via e-mail, SMS or via the call centre.

Grievances that are reported are classified in the following categories:

- Environmental;
- Manpower/Contractor/Partner;
- Indigenous Land;
- Land Claim;
- Transportation/Road Transport;
- Employee Behaviour (harassment, drugs, violence, etc.);
- Traffic and/or logistics issue (road congestion, plants damaged by heavy equipment, road damage, etc.);
- Public concern about the provision of TPL CD Funds;
- Concern about the proposals that have not been realised or are not approved by TPL; and
- Job application.

The Grievance Redress Mechanism can be summarised according to the following diagram. The timeline for each section is prescribed in TPL's policy and the

grievances escalation process will depend on whether it is classified as Minor, Medium or Major.



Whistleblowing

TPL has a Whistleblowing Procedure in place to help detect, report and manage potential fraud. It is TPL's intention to promote a consistent anti-fraud environment that is reflected via positive work culture consistent with the Code of Ethics.

Any employee who suspects that TPL's policies have been violated or fraud has occurred is responsible to report the incident either via the telephone hotline or dedicated e-mail address for antifraud. The whistle blower is encouraged to use his or her actual name although using an alias when reporting is allowed. TPL will take appropriate measures to protect the identity of the whistle blower and all information received will be

treated as confidential. The whistle blower is advised not to conduct their own investigation and not to discuss the case, facts, suspicion or accusations with anyone except the Management Team or Investigation Team.

The investigation of the case that's reported will be based on type of fraud, which will be conducted by either the HR Department, Internal Audit or a Special Investigation Team as follows:

Investigation results of the report will not be disclosed or discussed with anyone other than those that have a legitimate need to know. If fraudulent activities are substantiated from the investigation, the employee involved will be subject to appropriate disciplinary action.



ECONOMY

ECONOMIC PERFORMANCE

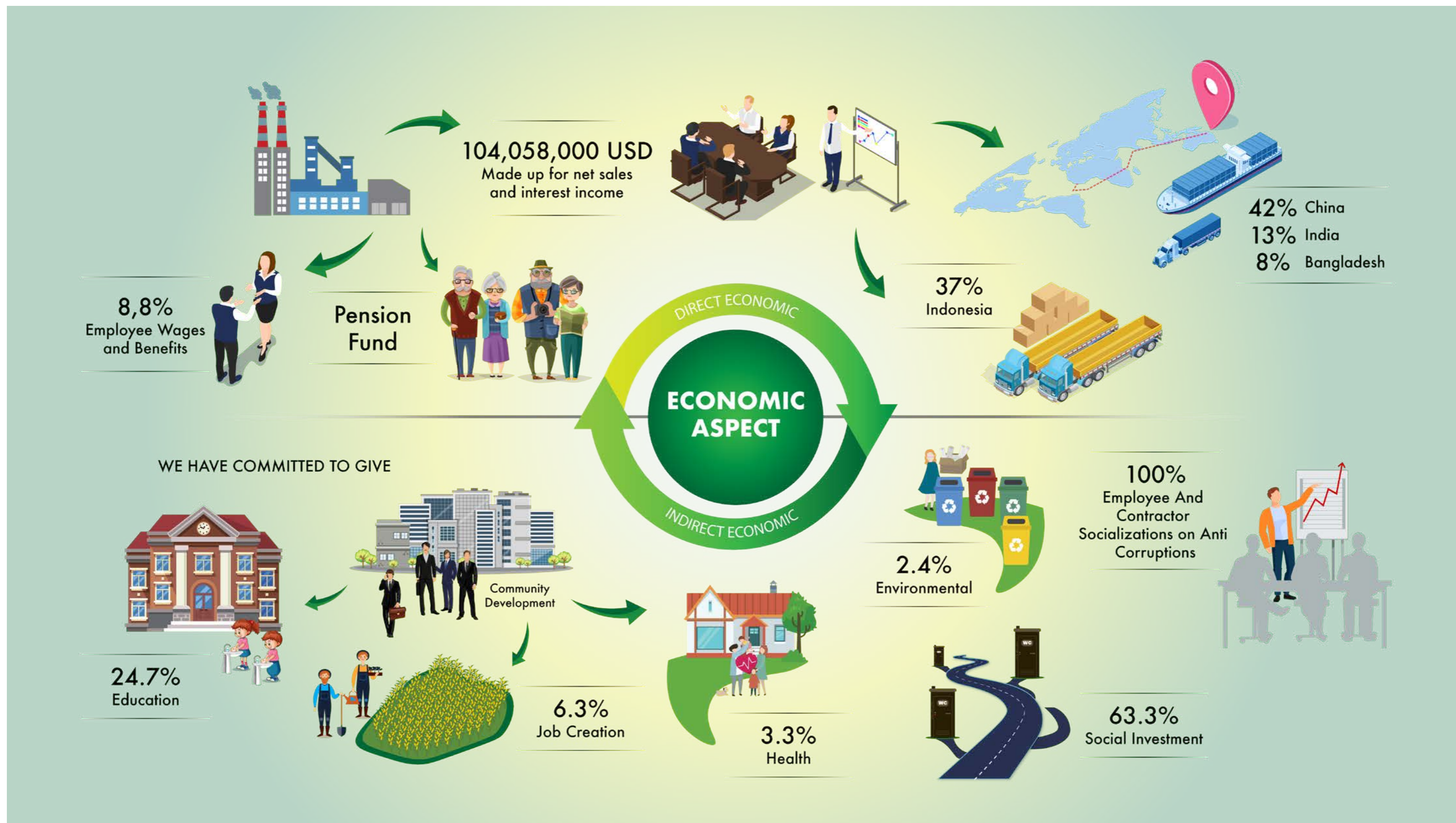
INDIRECT ECONOMIC IMPACT

COMMUNICATION AND TRAINING ABOUT ANTI CORRUPTION POLICIES AND PROCEDURES

PT. TPL is committed in implementing social investment and contributing to the development of the country through communities asistant programs such as program padi sistem jajar legowo, budidaya lebah madu, and intercrop and infrastructure development programs such as pipelines and educational facilities, and scholarships through the CD programs



ECONOMY



ECONOMY

GRI 103-1, 103-2, 103-3, 201-1, 201-3, 203-1, 203-2, 205-2

OVERVIEW

At TPL, we strive for sustainable growth maintaining cost-effective production value. We work towards maximizing profit for stakeholders and contributing to socio-economic improvement of the local and regional community while staying relevant to the global agenda. This balancing act to maintain the equilibrium between

sustainability and economic value generated can only be achieved by considering the various material issues, planning for the future and taking into account our stakeholders' needs.

ECONOMIC PERFORMANCE

GRI 103-1, 103-2, 103-3, 201-1

Why It Matters To Us?

The economic value generated and distributed plays an important role in our material matters because it ensures the long-term solidity and profitability of TPL. Through understanding the economic value of our business, further collaborations and partnerships with communities, customers, the government and shareholders can be built in the future. For this reason, it is paramount to maintain our position as a reliable and value-adding partner to all our stakeholders.

Similarly, our most valueable stakeholder are our employees and as a responsible employer, TPL is not only required by law to provide minimum pension but it is also to ensure the long-term commitment between staff and the company. Our defined benefit obligations and pension plans are guided by applicable regulatory requirements.

Our Approach and Management

Economic Performance and Value

At TPL, the Board of Directors has the responsibility for managing direct economic performance by providing an overview of the Company's strategic direction, future prospect and business plans. The Board of Directors is supported by the Management team and various stakeholders to achieve better generation of economic value for TPL.

Monitoring and evaluating economic performance is critical in recognising risks, opportunities, and impact of our investments and operations and to address these proactively and effectively. This will aid TPL in its goal to be a cost-efficient producer. The monitoring and evaluation is led by the Financial Controller and supported by the Finance team.

TPL's financial performance is audited on an annual basis by appointed external auditors which are public accountants registered with the OJK, of which we received and unqualified opinion for the Financial Year 2019.

Benefit and Retirement Plans

In terms of our obligations towards benefits and retirement plans, TPL has procedures to manage the retirement process of the workers which includes:

- Providing a briefing to the staff on their benefits as per their entitlement
- Retirement training to prepare employees psychologically and financially.

The main department in-charge of this process is the Human Resources which works closely with Payroll, Learning and Development and the Industrial Relations Team to ensure a smooth process for our retiring staff. The provisions regarding pension also stated in the PKB and pension rights have been granted in accordance with the applicable regulations.

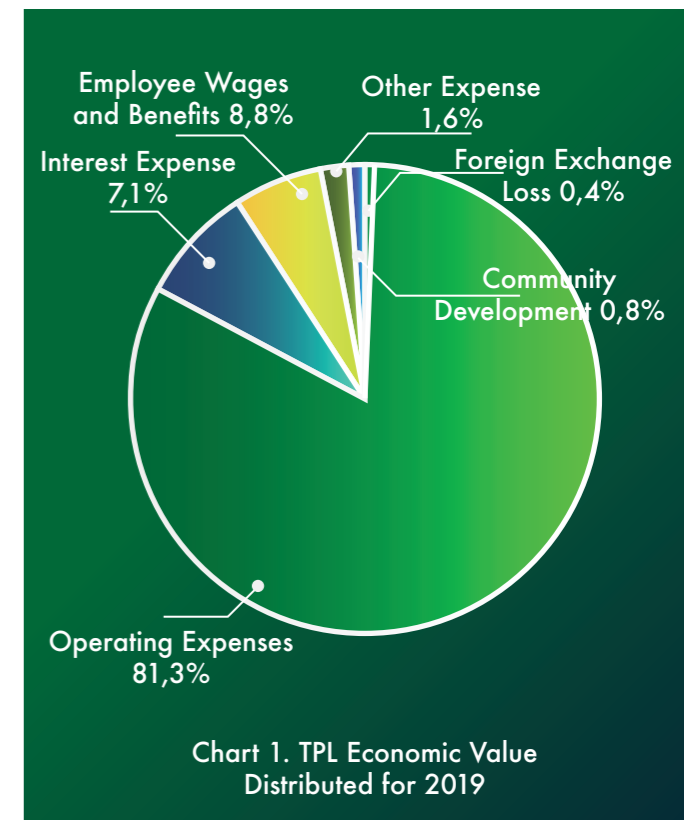
From a financial aspect, TPL provides for employee retirement based on the actuarial valuations which are reviewed for sufficiency on an annual basis. TPL is legally obliged to contribute to the pension and any shortfall will be managed by TPL accordingly.

Performance Data

Direct Economic Value Generated Distributed

Chart 1

Shows the total Economic Value Distributed (according to type) by TPL in 2019, which amounted to approximately USD128,109,000. Of this around 81,3% or approximately USD104,097,000 has been reinvested for Business Operations. Community Development expenses amount to 1% of TPL's Economic Value



Distributed, reflecting TPL's intention and ongoing commitment to support community activities. No dividend was paid by TPL for the financial year 2019 as per local regulations as the company has negative retained earnings. TPL has deferred tax income of USD4,563,000.

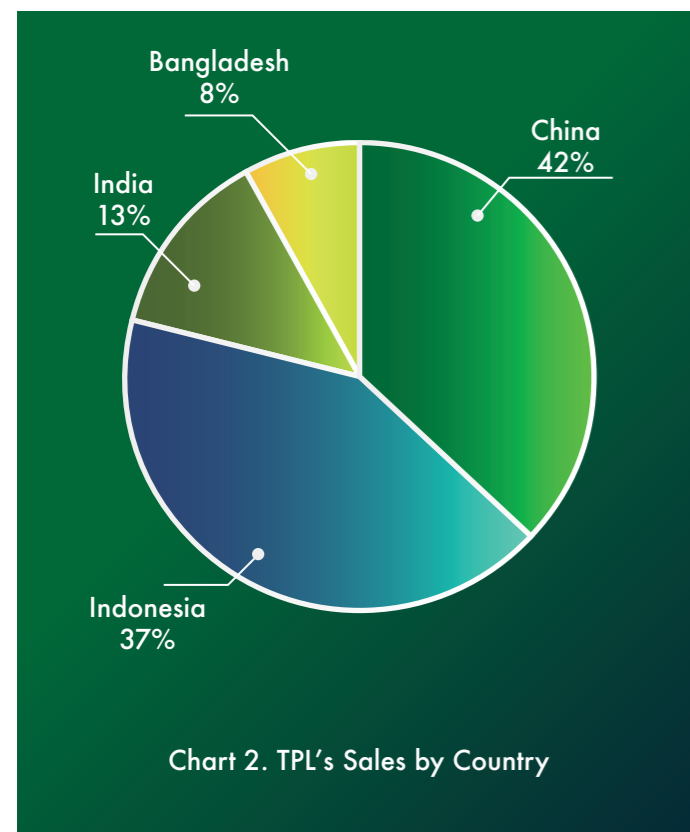
Chart 2

Shows TPL's Sales by Country of which China and Indonesia contributed 42% and 37% respectively. Two-thirds of TPL's business is from the export market, with a reliance on China.

On the other hand, the total Economic Value Generated

ECONOMY

GRI 103-1, 103-2, 103-3, 203-1, 203-2



by TPL came up to approximately USD104,058,000 made up from net sales and interest income. The Economic Value Retained for 2019 is approximately (USD24,051,000) which does not include the deferred tax income of approximately USD4,563,000.

Country	USD '000
China	43,897
Bangladesh	8,364
India	12,987
Indonesia	38,753
Taiwan	57

Value of Liabilities

The Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country based schemes, or those with financial impact is 100%.

The post employment benefit liability of TPL as at 31 st December 2019 is approximately USD 6,359,000 TPL has recognised the post employment benefit expense of approximately USD 1.101,000 as part its operating expenses

INDIRECT ECONOMIC IMPACTS

Why It Matters To Us?

The improvement of conditions in the communities around TPL's plantations will contribute to providing

better living conditions, food security, educational enviroment as well as access to clean water and infrastructure for these communities.

The ability of TPL to operate well to achieve their production targets is heavily reliant on its employees and the support of the surrounding communities in our concession sectors such as District Toba, Humbang Hasundutan, North Tapanuli, Simalungun, Dairi Pakpak West, Samosir, South Tapanuli. The better the living and economic conditions in these surrounding areas, the better motivated our people will be to focus on efficiency and achieve the company's targets.

Our Approach and Management

TPL has spent approximately 1% of its Direct Economic Value Generated on community development projects. A significant portion of this is towards infrastructure development for the communities to improve their living conditions. These projects are given to local contractors to complete, further enhancing local economic conditions and helping increase indirect benefits to the development of the area.

TPL enacts these community-based programs through its Community Development (CD) team who are responsible to help improve the local economy and infrastructure. The CD team consults with the relevant stakeholders such as community leaders, farmer groups, medical officers, teachers and youths in the community on the approaches that will be taken while also conducting social analysis to identify the needs of the community.

Plans on community development is produced on an annual basis from the consultation with the relevant

stakeholders with the resource allocation adjusted according to the needs of the community.

Reports are produced on a quarterly basis and at the end of each semester to track the progress of the various projects.

Performance Data

The various projects that TPL has invested in or contributed towards has generated substantial positive impact both on the company and surrounding communities. The following table summarizes the projects, the percentage of cost towards each area of support, number of projects by area of support, the positive impact and type of engagements. The majority of TPL's support is directed toward social investment projects (58.04%) and education and culture (21.13%).



GOOD FOR COMMUNITY
BAIK BAGI MASYARAKAT

GOOD FOR COUNTRY
BAIK BAGI NEGARA

GOOD FOR CLIMATE
BAIK UNTUK IKLIM

GOOD FOR COMPANY
BAIK UNTUK PERUSAHAAN

GOOD FOR CUSTOMER
BAIK UNTUK PELANGGAN

ECONOMY

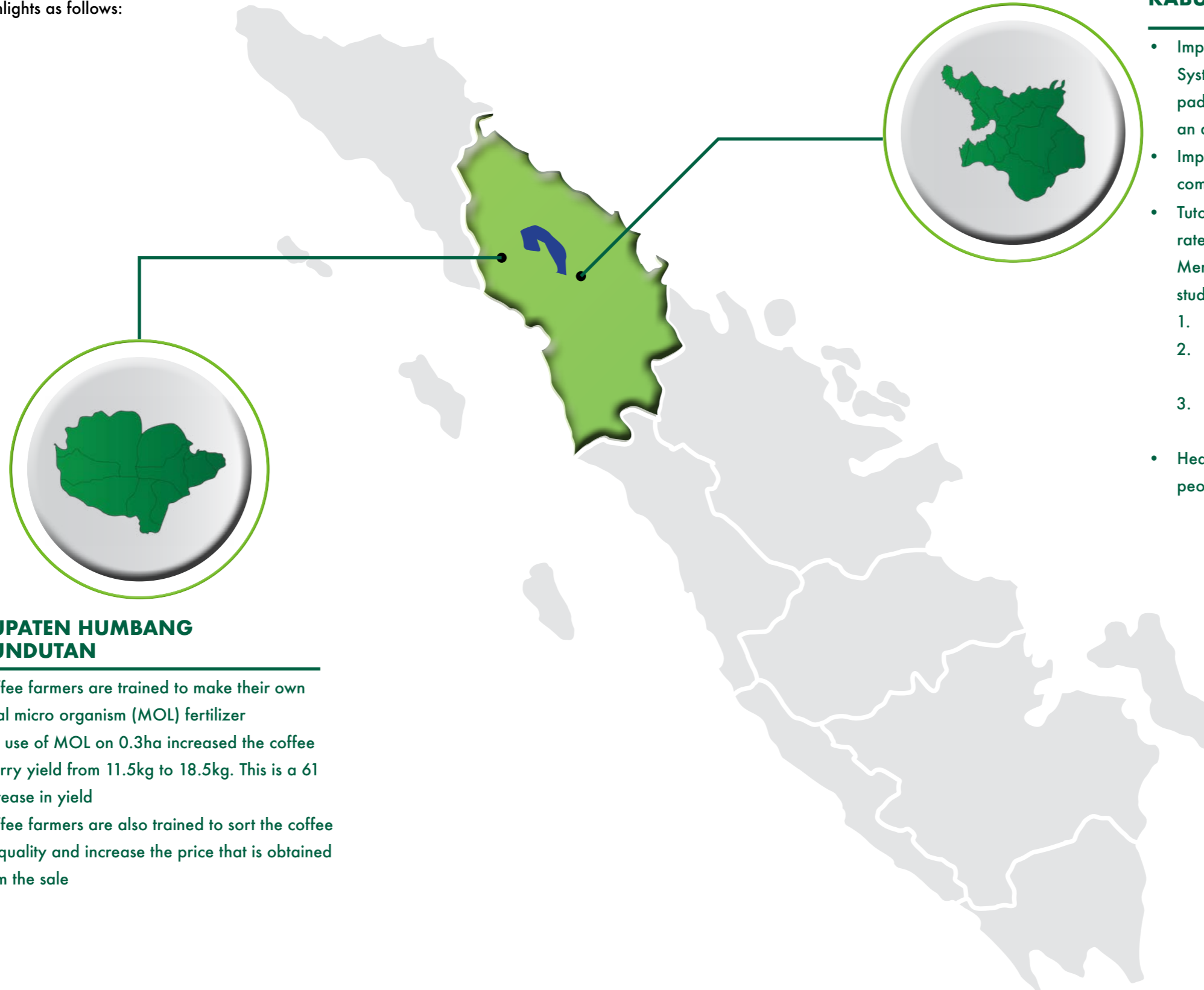
PERFORMANCE DATA

Area of Support	Number of Project	% Contribution of Cost	Positive Impact	Type of Engagements
Education and culture	71	21.13%	<ul style="list-style-type: none"> Clean water in schools Comfortable classrooms for improved education environment Proper desks and blackboards in classrooms Scholarships for students to help fund education 	Pro bono
Health	16	4.76%	<ul style="list-style-type: none"> Improvement in health facilities in community with sponsored equipment by TPL Additional health services provided to the community leading to improve health conditions for the community 	Pro bono
Social Investment (infrastructure, sanitations, provisions of clean water facilities)	195	58.04%	<ul style="list-style-type: none"> Public facilities sponsored by TPL for the communities' use Lending of equipment to the community for public projects 	In-kind
Job Creation	43	12.80%	<ul style="list-style-type: none"> Improved rice crop production by farmers Innovation by coffee farmers Economic independence and greater employment opportunity in the communities 	Comercial
Environmental	11	3.27%	Cleaner and healthier environment for the communities with the provision of trace cans and garbage disposal truck	Pro bono



ECONOMY

From the various projects and engagements that TPL has been involved in, there were several notable highlights as follows:



KABUPATEN HUMBANG HASUNDUTAN

- Coffee farmers are trained to make their own local micro organism (MOL) fertilizer
- The use of MOL on 0.3ha increased the coffee cherry yield from 11.5kg to 18.5kg. This is a 61 increase in yield
- Coffee farmers are also trained to sort the coffee by quality and increase the price that is obtained from the sale

KABUPATEN TOBA

- Implementation of the Legowo Row System increase d harvest yield for paddy farmers from 1,196 kg to 1,560 kg from an area of 0.208 hectare. This is a 30% increase!
- Improved irrigation of fields benefitting 25,158 community members
- Tutoring program and entry selection for top rated high schools (Sekolah Menengah Atas [SMA] Unggulan) for 256 students of which:
 1. 124 graduated
 2. 23 passed the psychological test for SMA Unggul Del
 3. 22 passed the psychological test for SMA Unggul Yayasan Soporung
- Healthcare related contribution benefited 4241 people

ECONOMY

COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

Why It Matters To Us ?

TPL aims to eliminate all corrupt practice that may occur within the company's business operations. This is in line with the Company's aim to practice good corporate

governance in accordance with SEOJK No. 32/SEOJK.04/ 2015 Principle 7 and recommendation 7.2.

Our Approach and Management

TPL states our anti-corruption stand in the Company's Core Values, Code of Ethics, employment contract with employees as well as in the agreement with the labor unions.

The company's Core Value 4 is Integrity, with subpoint 3 stating that all employees reject all forms of corrupt practice. We take a zero tolerance stand on corruption practices and participation in acts of corruption will be grounds for termination.

Our Core Values are reinforced on a daily basis to our employees through various forms of communication including posters and pamphlets. In addition, TPL has 50 Core Value Brand Ambassadors who have a role in disseminating anti-corruption policies and procedures to all employees.

TPL also publishes their Code of Ethics Fundamentals with respect to Bribes, Gifts and Entertainment as follows:

- Employees are prohibited from receiving gifts in any form, including cash or presents of any kind, from any party including but not limited to contractors, customers, suppliers, or any party related to their authority in the position or office they hold.

- With the exception of normal meals and other common insignificant gifts (which bear the logo of the respective company) during a business transaction, an employee may not accept, directly or indirectly, commission, rebate, service fee, loan, or gift from a company which is currently or will be a supplier of goods or services to the Company. A gift or entertainment offer in any form which is inappropriate must be reported to the Department Head/Manager of the respective employee or to HRD Dy. Dept. Head as soon as possible.
- No employee is allowed to misuse products or funds of the Company, including but not limited to inappropriate placement of funds for personal profit of the employees of the producer company, or the customers.

TPL has a general policy on anti-corruption and anti-fraud as stated in the Code of Procurement Ethics. Each contractor is communicated through their Employment Contract (Surat Perjanjian Kerja). The contract outlines a zero tolerance on corrupt practices such as embezzlement, money laundering, bribery and the acceptance of gifts. Contractors also receive training on anti-corruption from the Learning and Development Team through understanding of TPL's Core Values (TOPICC).

Our Core Values

Start with me



Performance Data

In 2019, 100% of TPL's contractors have been communicated and trained on anti-corruption.

During the reporting period, TPL has communicated the anti-corruption policies to all.

ENVIRONMENT



Environmental Management
at TPL

Conservation Programs

Performance and Targets

Supplier Environment

ENVIROMENT

PT. Toba Pulp Lestari (TPL) contributes to the preservation of Indonesia's nature through several programs (e.g. Protection of native Indonesian animals, Sumatera Tiger Occupation, etc.).

ENVIRONMENT

1 ENVIROMENT MANAGEMENT AT TPL

HCV Assesment
2016 - 2017

Resource Allocation

Monitoring and Evaluation

Community Care Fire
(Masyarakat Peduli Api)

Reduce Logging Impact

All wood suppliers in TPL were screened using environmental criteria

3 SUPPLIER ENVIROMENTAL ASSESSMENT

2 CONSERVATION PROGRAMS

Biodiversity conservation programs

33.187,7 ha
HCV verified area
2016 - 2019

Sumatran Tiger Occupancy

347 Ha
Natural succession

51 Location
Erosion mitigation

112.878 Tree
Providing the natural seedling

29 Ha
Artificial succession

3 Location
Quarry rehabilitation/
maintenance

4.500 Tree
Planting the feed
plant for animal

4 PERFORMANCE AND TARGETS

ENVIRONMENT

GRI 103-1, 103-2, 103-3, 304-1, 304-2, 304-3, 308-1

ENVIRONMENT

The PT. Toba Pulp Lestari Tbk.'s (TPL) vision for good environmental practice centres on sustainable and responsible forest management, as we understand that the tropical forest landscape holds large stores of carbon and biodiversity.

TPL's management believe that the core principles of the business should steer towards encouraging all stakeholders in its supply chain including its employees, consumers, communities and customers to ensure good environmental governance. This encompasses biodiversity protection, management of protected flora and fauna, land-use management, pollution prevention and

monitoring of TPL's supply chain to safeguard our environmental management guidelines.

TPL believes in advocating the ecological contributions of the forest landscape and is guided by its Sustainability Policy and the Environmental Policy. These policies asserts TPL's commitment to ensuring traceability of forest resources, conducting environmental impact assessments such as High Carbon Stock (HCS) and High Conservation Values (HCV) on new areas targeted for development, biodiversity protection, and water management through monitoring water use intensity and water quality.

BIODIVERSITY

GRI 304-1, 304-2, 304-3

Why It Matters To Us?

At TPL, protecting biological diversity and ensuring the survival of flora and fauna species and natural ecosystem remains a top priority in achieving our sustainable goals. We acknowledge that a small portion of TPL's operation are located in close proximity of 1.1km to 52.3km to conservation areas. Therefore, TPL's sustainable forest management goals has been designed to mitigate threats to habitat species, continuing efforts on sustainable management and, targeted conservation and rehabilitation initiatives.

We practice strict protocols so that our fibre sourcing practices support our commitment to protecting forests. Since 2016, TPL has committed to executing comprehensive and robust High Carbon Value (HCV) and High Carbon Stock (HCS) HCV/HCS assessments

conducted by independent experts before embarking on any new plantation initiatives in our effort to the advocacy of protecting and conserving identified HCV and HCS areas.

In addition, maintaining and enhancing biodiversity in and around our business operations will ensure that natural ecosystems provide clean water and air, and contributes to local livelihoods and safeguards human health. Among initiatives, that TPL has included in its efforts to bring positive impact to the ecosystems it operates in are; the protection of germplasm conservation areas, river boundaries, biodiversity areas, wildlife conservation areas, peat ecosystem protection, procurement of endemic natural tillers and the enrichment of protected areas.

WHAT ARE HIGH CONSERVATION VALUE (HCV)/HIGH CARBON STOCK (HCS) AREAS

According to the High Conservation Values (HCV) Common Guidance Toolkit, HCVs are defined as biological, ecological, social or cultural values which are considered outstandingly significant or critically important. The aforementioned, definition is further categorized into six aspects as listed below:

- **HCV 1: Species diversity**
Concentrations of biological diversity including endemic species, and rare, threatened or endangered species, that are significant at global, regional or national levels.
- **HCV 2: Landscape-level ecosystems, ecosystem mosaics and IFL**
Large landscape-level ecosystems, ecosystem mosaics and Intact Forest Landscapes (IFL) that are significant at global, regional or national levels, and that contain viable populations of the great majority of the naturally occurring species in natural patterns

Approach and Management

TPL's environmental management approach includes establishing policies, providing competent human resources, identifying environmental impacts and associated risks, developing measurable environmental programs, conducting training and promoting environmental awareness.

The Environmental Policy outlines commitments to sustainable forest management in the following areas:

- of distribution and abundance.
- **HCV 3: Ecosystems and habitats**
Rare, threatened, or endangered ecosystems, habitats or refugia.
- **HCV 4: Ecosystem services**
Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes.
- **HCV 5: Community needs**
Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (for livelihoods, health, nutrition, water, etc...), identified through engagement with these communities or indigenous peoples.
- **HCV 6: Cultural values**
Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples
- Commitment to complying with applicable laws and regulations, taking into account the needs and expectations of relevant stakeholders.
- Commitment to implementing environmental protection initiatives including improvement and efficiency of resource use through the '3Rs' (Reduce, Reuse, Recycle), protection of biodiversity, habitats and ecosystems, mitigating climate change, and improving water and air quality.
- Commit to implementing landscape conservation of ecosystem representation and management of protected or rare, endangered, and endemic flora

ENVIRONMENT

and fauna.

- Commitment to zero deforestation of natural forests including no new development on forested peatland or new concessions on non-forested peatland or any High Conservation Value (HCV) areas.

In addition to the Environmental Policy, TPL has also taken key measures in relation to managing and executing sustainable forest plantations. HCV/HCS assessments are conducted on a consistent basis and, upon identifying HCV and/or non-HCV areas, TPL executes further commitment in maintaining the strict management guidelines of these areas. The measures taken to managing HCV/HCS areas include:

- Formulating plans and schedules for monitoring the HCV/HCS areas to ensure that no illegal activities occur (i.e. logging, mining and poaching).

- In the HCV/HCS areas identified for its cultural values, the monitoring plan ensures that the boundaries are respected and that there are no illegal activities such as encroachment by external parties in the concession area.
- Proactive measures are taken to preserve areas with confirmed historical and/or conservation sites.
- Mitigate further risk by setting up buffer zones and Green Belt areas.
- Identify protected species within the identified areas and map against the international and national referenced standard. 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.

Assessment Process For New Areas Targeted For Development:

Conduct High Carbon Stock and High Conservation Values assessment

Only areas that are non HCS and HCV will be developed into plantations

Only use HCV Resource Network licensed assessors for HCV assessments.

TPL and its suppliers will then seek further guidance from the HCS/HCV Approach Steering Group



Did You Know ?

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 has been utilized by the mills by September 2014.

Environmental Management at TPL

The company implements an environmental management system which is guided by the environmental policies in the respective areas where impacts have been identified.

To enact these systems, competent talents are allocated as per their specialised fields and are monitored based on international standards.

Identify Environmental Impacts

- Biodiversity monitoring and data compiling.
- Habitat protection.

Resource allocation

- Environmental and Integrated Management System department manages and monitors biodiversity matters.
- Fire Protection department manages forest fire control.
- Estate security personnel manages protected area patrols, wildlife hunting and illegal logging activities.
- The grievance mechanism is managed by the Social Capital Department.

Monitoring and Evaluation

- ISO 14001, PHPL, and IFCC internal audits are carried out twice a year.
- External audits are carried out once a year.

Did You Know ?

As a concerted effort to enrich the habitats in conservation areas, TPL conducts a number of biodiversity conservation programs. The programs include:

- Procurement of natural saplings
- Enrichment of conservation areas
- Planting of forage plants
- Erosion mitigation
- Vegetation analysis
- Wildlife surveys and population dynamics reports



ENVIRONMENT

PERFORMANCE AND TARGETS

TPL constantly takes note of all applicable regulations in relation to biodiversity conservation while working with relevant authorities and stakeholders to enhance the quality of the natural habitats that occur in and around our concession sectors. To date, TPL's conservation efforts in all sectors have resulted in :

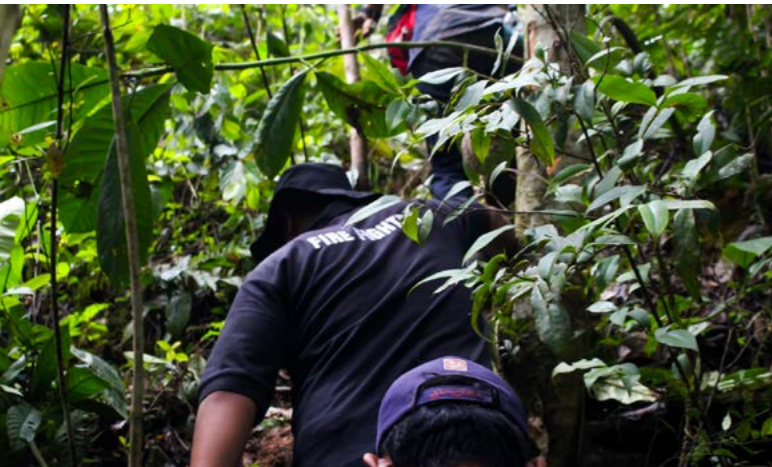
- 3,607 ha of river borders established throughout the estates,
- 28,082 ha of wildlife protection areas established throughout the estates,

- 11,947 ha of biodiversity conservation area established throughout the estates
- 5,030 ha of buffer zones of throughout the estates.

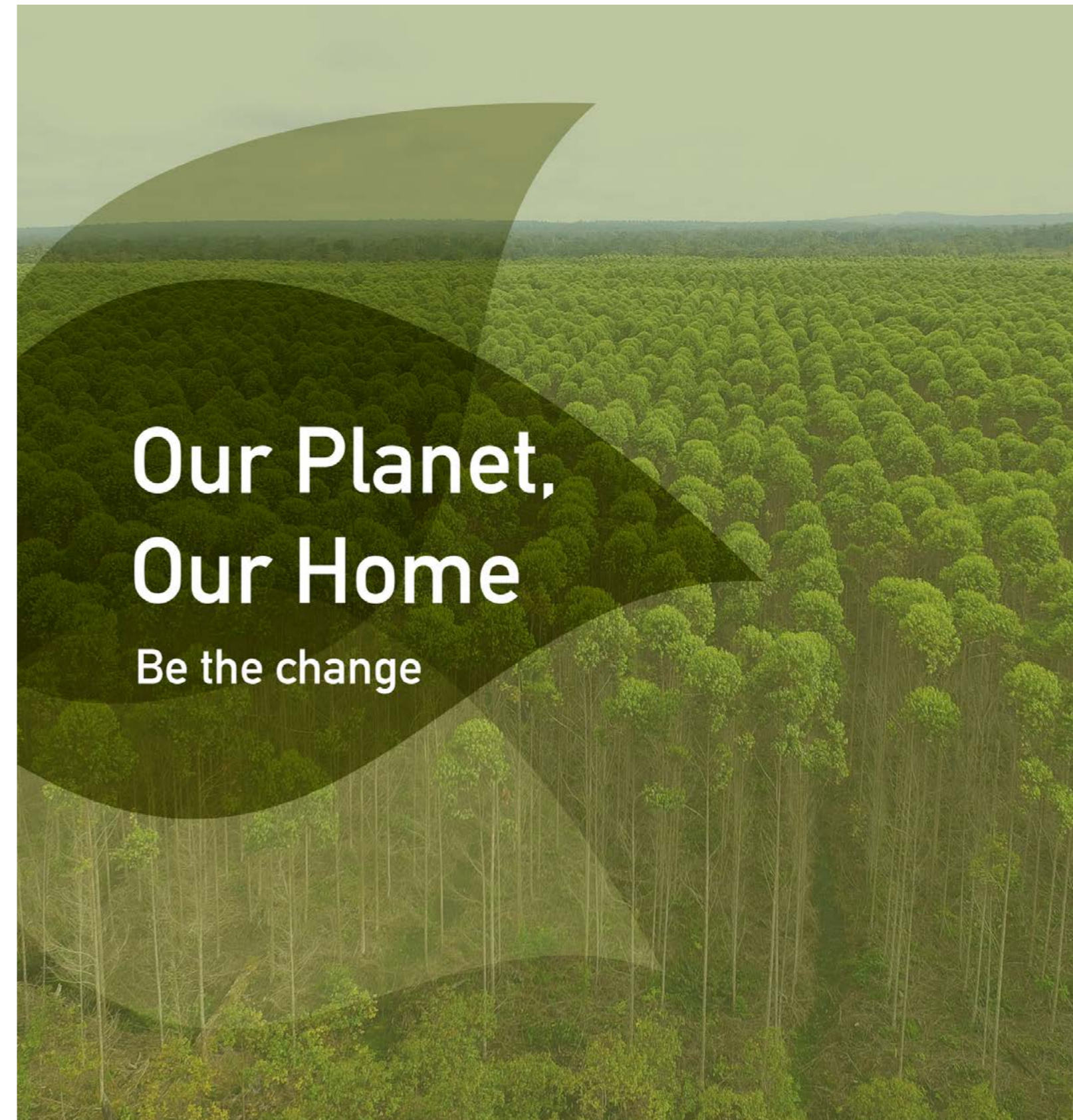
As of 30th June 2014, there has been no further development and conversion of natural forest areas into industrial plantations.

During the reporting period, TPL has not recorded any significant direct or indirect negative impacts on biodiversity that has arisen from our operations.

TIGER SURVEY PROGRAM AT TPL



In 2019 a Sumatran Tiger Occupancy Survey was carried out in collaboration with the Centre for Conservation of Natural Resources (BKSDA) on an area of 28,900 ha in Aek Nauli Estate. Evidence of tiger presence was found via footprints and tiger markings. The survey was conducted over a period of eight (8) days covering a total track area of 45km by two teams that comprised team leaders Alexander Manurung and Welly Manurung who led a team of 8 others respectively.



ENVIRONMENT

PERFORMANCE DATA

TPL Operational Site In, or Adjacent To, Protected Areas And Areas Of High Biodiversity Value

Aek Raja Sector

- Sipinsur Nature Reserve in Dolok Sanggul with an area of approximately 500 hectares, 11,9 km northeast of Aek Raja (AER) Sector.

Habinsaran Sector

- Dolok Saut-Surungan Nature Reserve in Toba Samosir with an area of 23,800 hectares located 4,7 km northeast of the Habinsaran Sector (HAB).
- Sipinsur Nature Reserve in Toba Samosir in Humbang Hasundutan located 15,6 km west of the Habinsaran Sector (HAB).

Tele Sector

- The Siranggass Nature Reserve in Pakpak Bharat with an area of approximately 5,657 hectares is located 10,4 km west of the Tele sector (TEL).
- The Sicikecike Nature Reserve in Pakpak Bharat is located 3,9 km northwest of the Tele sector (TEL).
- The Gunung Leuser National Parks in Simalungun is located 52,3 km northeast of the Tele sector (TEL).
- The Sipinsur Nature Reserve in Humbang is located 13,7 km southeast of the Tele sector (TEL).

Tapanuli Selatan Sector

- Lubuk Raya Nature Reserve in Tapanuli Selatan is located 1,1 km west of the Tapanuli Selatan Sector (TAS).
- Dolok Sibual-buali Nature Reserve in Tapanuli Selatan is located 200 m west of the Tapanuli Selatan Sector (TAS).
- Dolok Sipirok Nature Reserve in Tapanuli Selatan is located 9,6 km northwest of the Tapanuli Selatan Sector (TAS).
- Barumon Wildlife Reserve in Tapanuli Selatan with is located 1,6 km southeast of the Tapanuli Selatan Sector (TAS).

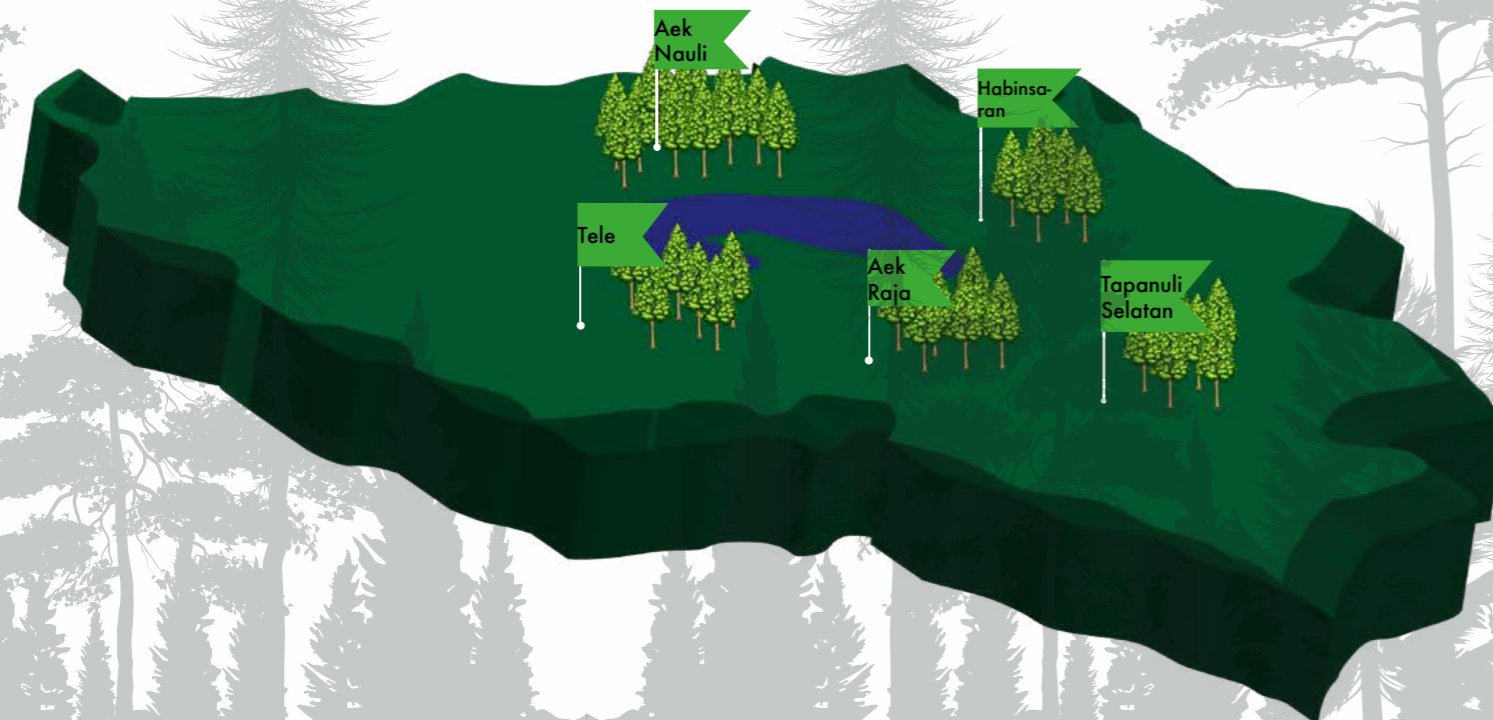
Aek Nauli Sector

- Martelu Purba Nature Reserve in Dairi 15,5 km west of Aek Nauli (AEN) Sector.
- Gunung Leuser National Parks in Karo 33,8 km northwest of Aek Nauli (AEN) Sector.
- Batu Gajah Nature Reserve in Simalungun 1,3 km north of Aek Nauli (AEN) Sector.

Performance Data

The table below shows the planned targets for 2019 against actual achievement :

ACTIVITIES	UoM	PLANNED	ACTUAL
Providing the natural seedling	Tree	50,000	52,622
Natural succession	Ha	264	347
Artificial succession	Ha	20	29
Erosion mitigation	Location	50	51
Quarry rehabilitation/maintenance	Location	3	3
Planting the feed plant for animal	Tree	4,500	4,500



ENVIRONMENT

SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 304-1, 304-2, 308-1

Why It Matters To Us?

Our Sustainability Policy ensures that TPL as well its supply chain are committed to preserving the environment and adhere to environmental legislation in our business. We work to instil the same sense of respect, diligence and responsible business relations with our entire supply chain including customers, suppliers, members of the communities and the authorities.

We want to ensure that all areas where we run our business or are targeted to run our business are assessed accordingly and will not contribute to the loss of HCV and HCS forests. Through our supplier environmental assessment, TPL demonstrates its commitment to eliminating deforestation from its supply chain and to protect all primary forests and peatland in which it operates and to support best practice in sustainable forest management.

Approach and Management

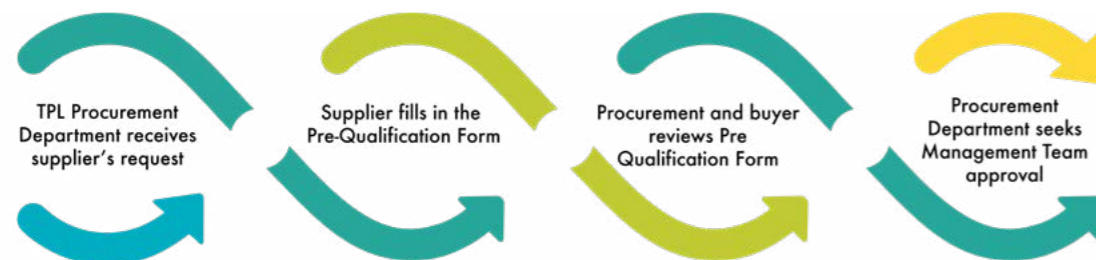
At TPL, we work hard to acquire supply of sustainable fibre into our operations. PT TPL wood sources are obtained from locations by self managed, PKR and third parties. We implement environmental and social impact management across our supply chain as a way to ensure that sustainability is embedded through the entire lifecycle of our product.

- Maintaining a balance of economic and social development whilst protecting and conserving the environmental aspects as well as enhancing economic welfare to surrounding communities in our concession areas.
- Ensuring responsible operations of the entire supply chain in line with TPL's sustainability policy, environment policy, forest management policies and adopting industry best practices.
- Only working with renowned third party credentials for product certification and labelling benchmarks on TPL's sustainable fibre supply chain.

We incorporate sustainable fibre management practices such as:

- Sourcing entire fibre resources from legal and responsibly managed plantations that is in compliant to relevant environmental standards equipped with third party verification and certification.

All suppliers and potential suppliers will have to go through our supplier management process as follows:



Supply Chain Traceability

One of our foremost commitment is to eliminate deforestation from our supply chains and support sustainable forest management best practice in all locations where we source wood. We commit to respecting human rights and environmental aspects throughout our supply chain.

ensure all the wood is traceable back to its source. TPL identifies the origin of the pulp through it's mapping system that is based on PEFC certification and mapping of it's entire raw material supply chain (the chain of custody) back to the mill, plantation, and forest area to ensure the transparency and traceability of its operations.

Our goal is to be a good and responsible business partner in local, national and global platform To that end, TPL has a robust wood tracking system to

Performance Data

In 2019, 100% of all wood suppliers in TPL were screened using environmental criteria.



SOCIAL

EMPLOYMENT

LABOR AND MANAGEMENT RELATIONS

OCCUPATIONAL HEALTH AND SAFETY

TRAINING AND EDUCATION

CUSTOMER HEALTH AND SAFETY

PT. TPL is committed to developing human resources fairly and transparently by fostering talented employees through their skills and abilities as a team to achieve the best results based on mutual trust and respect.



SOCIAL

WE DEVELOP OUR PEOPLE

100%

OSH policy is communicated to all employees through education and training programs to ensure the employee's understanding

14.313

Training hours invested by the employee's on;
• Soft skills training,
• Technical training,
• Leadership programs.

100%

Retention Rate of Employees who took Parental Leave

WE CARE ABOUT OUR CUSTOMER

95 %

of product met customers requirement and quality

100%

on time delivery

3 days

certificate of Analysis after the vessel docked

100%

handling of complaint within 48 hours



SOCIAL

GRI 103-1, 103-2, 103-3, 401-3, 402-1, 403-4, 404-1, 404-2, 416-1

At TPL, our people and our commitment to socio-economic development remains as our biggest asset and motivator to continuously improve on our practice and programs. By ensuring that our employees are protected and developed, they become better ver-

sions of themselves, able to improve TPL from within and are able to upskill, and thus not just contribute to the company but to the economy.

EMPLOYMENT

Why It Matters To Us ?

At TPL, we strongly believe that our success is attributed to the diverse and highly-committed pool of talent that make up our workforce. We believe that our employees have a right to improve on themselves and maintain that equal opportunities are accorded to each and every one. We want to prove that we care for our employees by not only allocating resources but to also provide adequate benefit to encourage the personal and professional development of all our employees. We believe that providing a conducive work environment and allowing our staff to maintain a healthy work-life balance is vital for employee retention and company growth.

Approach and Management

TPL's Code of Conduct as well as our Core Values acts as guidance and support for conducting business in a respectful and responsible manner. The relevant policies and standard operating procedures apply to all employees. Included in the policies are guidelines on fair treatment, non-discrimination, equality, diversity, human rights and trade unions. We want to ensure that at all times, integrity, transparency and accountability are practiced when dealing with our stakeholders. We also abide by all relevant laws and regulations in our operational sites.

GRI 103-1, 103-2, 103-3, 401-3

Parental Leave

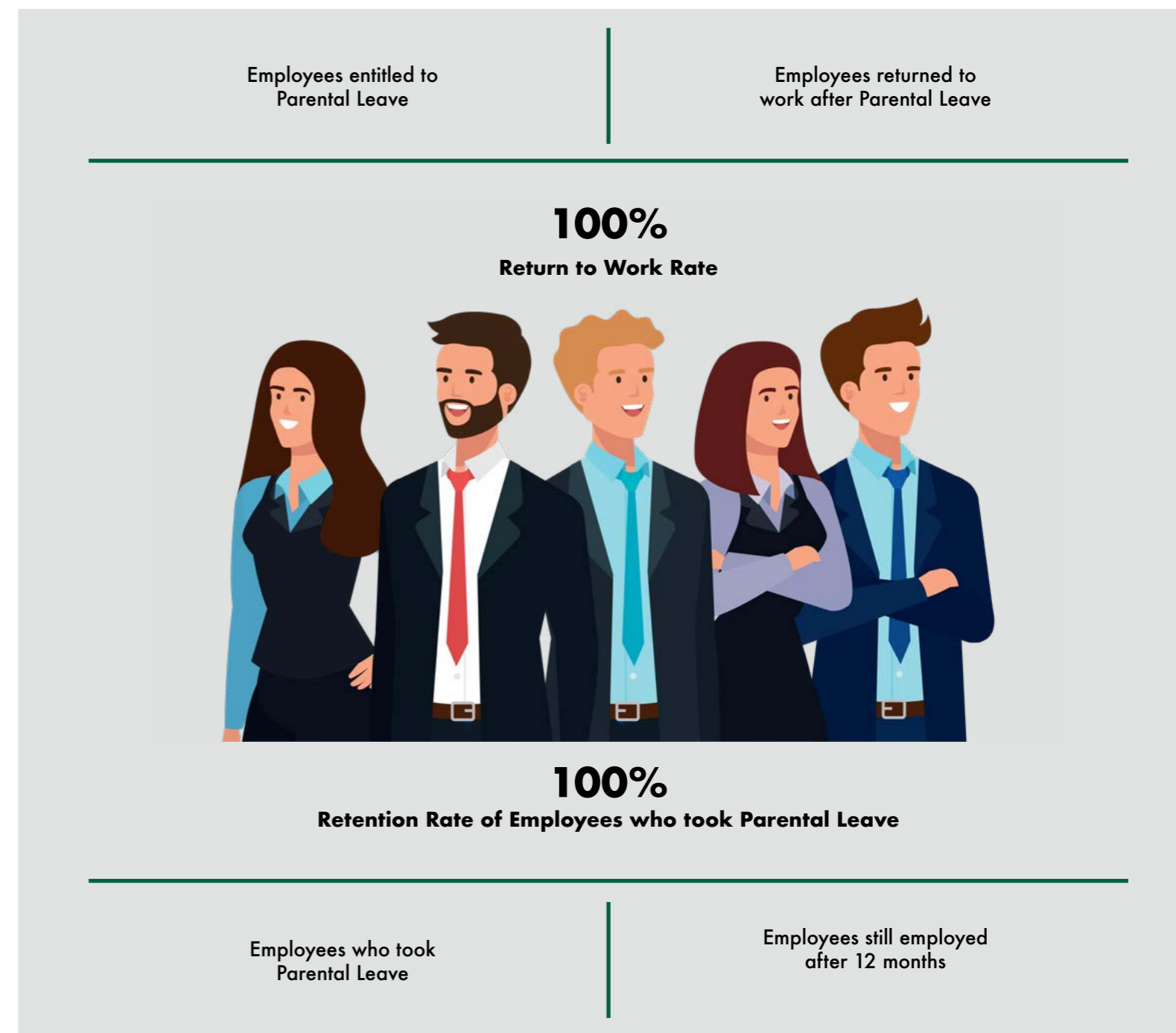
At TPL, staff are entitled to parental leave as part of their parental rights which is included in the labour agreement as well as relevant regulation. The parental leave requirement is as per local regulations and is reflected in the labor agreement between TPL and the labor unions.

TPL manages and monitors staff parental leave through an online system called Workday. All employees who want to take leave (e.g. maternity, paternity, annual, etc.) have to fill their leave data in the Workday application. Besides this, TPL also shares the relevant collective employment agreement (PKB) to all its employees so they may further understand the regulations about maternity and paternity leave rights.

Our Performance Data

For the year 2019, 2 male and 10 female staff who were entitled to parental leave took the leave. All these

employees returned to work after their leave and were still employed after 12 months; helping TPL achieve a 100% return to work and retention rate of employees.



SOCIAL

LABOR AND MANAGEMENT RELATIONS

GRI 103-1, 103-2, 103-3, 402-1

Why It Matters To Us ?

TPL strives for inclusivity as an employer and we understand that we need to hear from all our employees. We have collective bargaining agreements involving labor unions, associations and the management to ensure that our employees receive fair treatment and has access to opportunities and information on the company regardless of employment level.

Approach and Management

In TPL, collective bargaining agreement has been guided by regulatory requirement as stated in the PKB followed by TPL's internal SOP. This topic is managed by the Head of Operations and the Head of the Human Resources Department. In addition, seven representatives from the HRD Department including the HRD Department Head; the HR Operation Section Head, HR Operation Team Leader, HR Operation Officer, General Admin Estate, Payroll Officer, and Employee and Industrial Relations Officer will carry out the administrative processes following their respective fields.

The complaint handling mechanism on this topic is handled by the Industrial Relations Team. Complaint handling is carried out within PT TPL's internal scope. The internal complaint resolution mechanism follows the Employee Complaints Resolution SOP through the suggestion box and Industrial Relations Dispute Resolution SOP.

Minimum notice periods regarding operational changes

1. Resign
The worker concerned submits a resignation letter to the HRD Dept. Head no less than 30 days before the effective date of stopping work.
2. Retire
HR Operation Team Leader notifies the dept./ section head and to employees who will reach the retirement age of 55 years no later than 30 days before the retirement date.
3. Violating company regulations If the reasons and conditions for termination of employment have been fulfilled following the applicable laws and regulations, the HR Operations Section Head will inform the Employee and Industrial Relations Officer to follow up on the termination process, among others, in bipartite negotiation to reach a termination agreement. The bipartite negotiations shall be conducted no more than 3 times within a maximum period of 30 days.

Collective Bargaining Agreements

TPL have a collective bargaining agreement called the Perjanjian Kerja Bersama (PKB). The PKB is valid for two years with an extended for one year.

Changes in the PKB have to be disseminated to the other party no later than 90 days before the expiry date of the PKB or no later than 90 days before the expiry date of the extension.

Our Performance Target

We aim to have a new standard operating procedure (SOP) with respect to minimum notice periods regarding operational changes by 2021.

OCCUPATIONAL HEALTH AND SAFETY

GRI 103-1, 103-2, 103-3, 403-4

Why It Matters To Us ?

From the first on boarding of a staff to TPL, the company aims to induct every new hire and emphasise the importance of personal safety. Our goal is to ensure that all our staff attend work, go home safely, and achieve an injury-free operation status. We want to emphasize that a safe and happy working environment is the responsibility of all our employees and to be a culture.

Approach and Management

Our employees has been guided by our Occupational Health and Safety policies as well as the relevant international standards and certification to uphold the highest standards in the working environment.

The OSH policy is communicated to all employees through education and training programs for socialisation, awareness and operational practise.

TPL's management is committed to the development and implementation of an OHS program to provide effective

loss control by

- creating and maintaining a safe work environment,
- establishing and maintaining a safe and healthy work procedures and practices,
- providing OSH awareness training to all workers so that everyone can work safely with the right protective equipment and the right method of using it,
- identifying, evaluating, and managing risks to ensure that hazards are managed appropriately,
- obliging all employees, contractors and partners to comply with TPL standards, government regulations and statutory requirements,
- encouraging employee participation in OSH to develop and promote a sustainable OSH culture,
- investigating all incidents to prevent the recurrence of the similar incidences, and
- in the event of an accident TPL will provide support to injured employees to the maximum extent of our ability and ensure that they are properly treated so that they can return to work as soon as possible.

SOCIAL

In 2019, TPL implemented the K3 policy that requires every new employee to attend the work safety training for two days. In addition to that, all mill employees receive personal protective equipment (PPE) based on their nature of work.

TPL has established a committee – Panitia Pembina Keselamatan dan Kesehatan Kerja (P2K3) to align with government regulation and to build competency in the area of OSH. This committee is also responsible for monitoring and raising serious incidents and issues to management.

The workers are able to raise issues with regards to OSH via the P2K3, where the meeting occur on a monthly basis. Workers are represented by their Department Heads and are not currently represented in the formal joint management committees. Currently, communication of the OSH policies are conducted via P2K3 monthly meeting, Daily Management meetings, Safety Inductions, e-mails and other channels.

TRAINING AND EDUCATION

Why It Matters To Us ?

Education plays a significant role to ensuring the quality of our staff’s professional competencies. We want our people to not only be good at what they do but to also constantly improve on themselves. Their success at TPL depends on their professional accomplishment, effectiveness and efficiency. The company wants to ensure its long-term success by committing to maintain a high level of skill for its employees through training and education.

Our Performance Data

In 2019, 100% of TPL’s new hires were given basic safety training during their induction. In addition, operations staff were trained in Basic Fire and OSH training.

PERFORMANCE DATA		
Status	Total Employee (Persons)	Percentage (%)
New Hire in 2019	113	100
Followed OSH Training		
1. Safety Induction (conduct in 2019)	113	100
2. Basic Fire and OSH Training (conduct in 2019)	75	66

GRI 103-1, 103-2, 103-3, 404-1, 404-2

Approach and Management

TPL’s Learning and Development section in the Human Resources Department lead the training initiatives. Training focuses on development of employee’s skills and knowledge in the appropriate areas, focusing on the Mill and Fiber businesses.

A formal Internal Training Procedure is in place which is reviewed on an annual basis. The annual training plan is based on the needs of the employees and is coordinated with the Talent Management team to ensure the focus on relevant competency areas.

Types of training that is conducted include:

1. Soft skills training;
2. Technical training; and
3. Leadership programs.

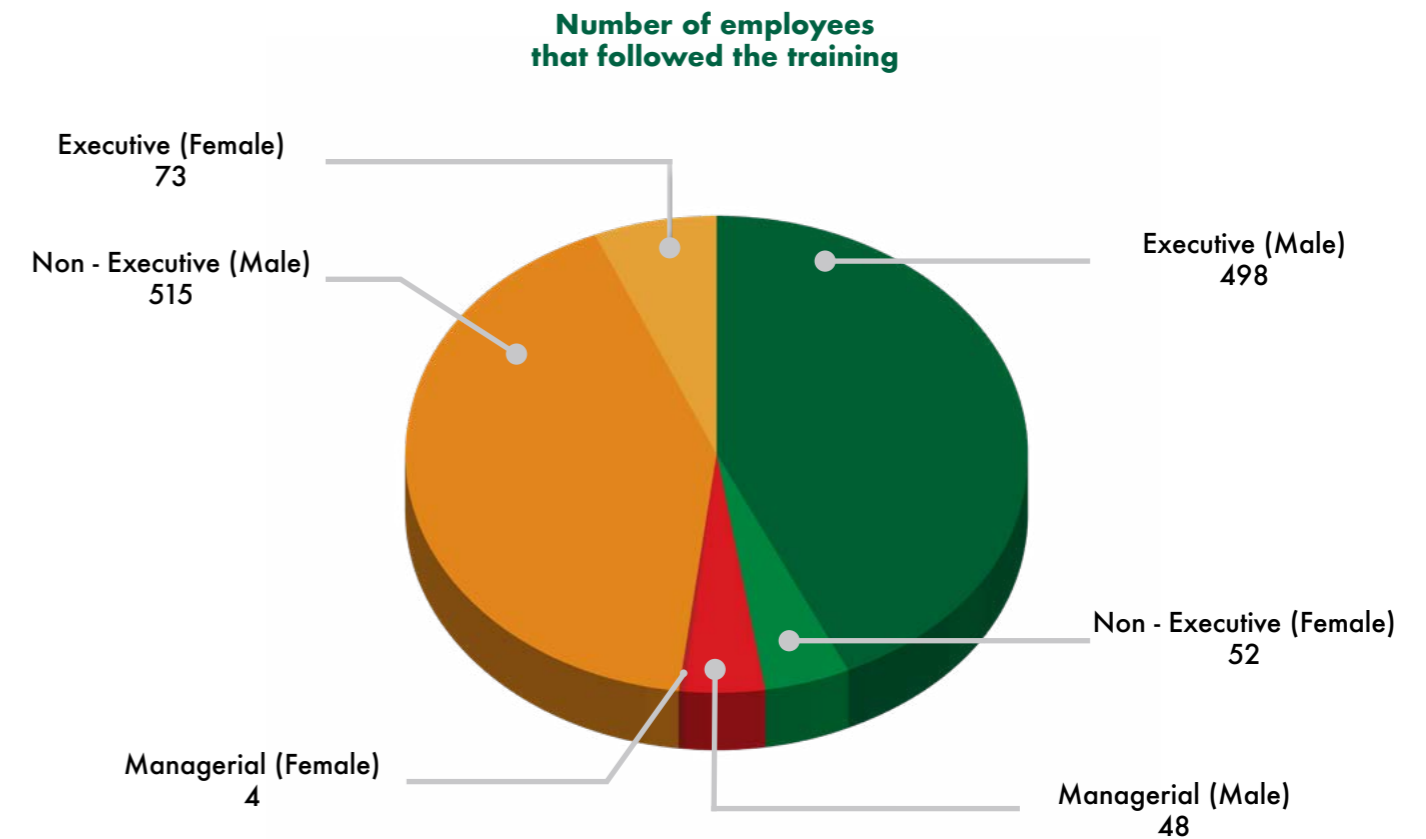
A mix of internal and external training is conducted for the employees. Further to this, training for employees that are retiring is also conducted to prepare them for retirement.

On a monthly basis, reporting is made to the management team on the training activities conducted, while a progress report on the achievement of Quality Objectives is made on a quarterly basis. Feedback and

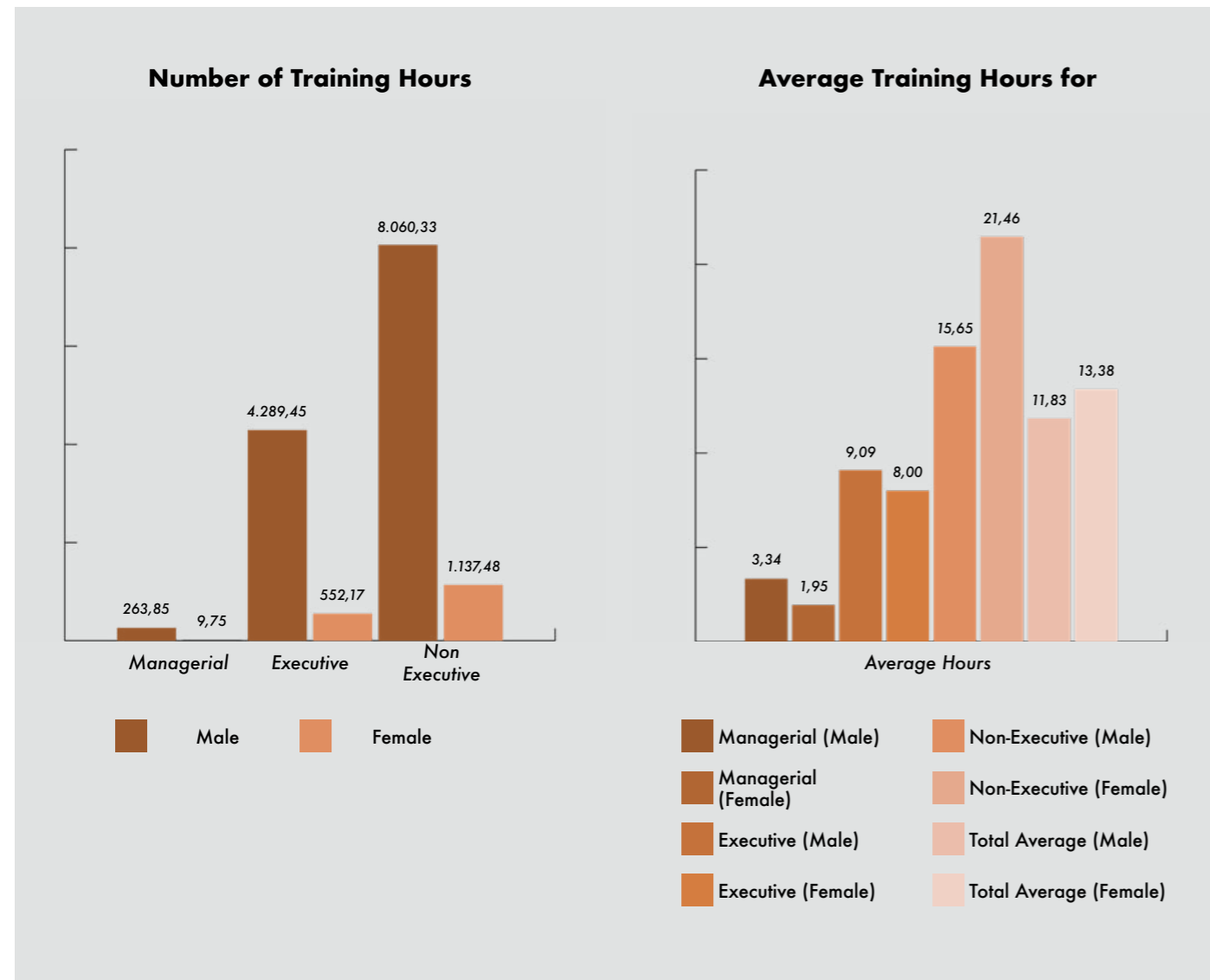
suggestions from the management is taken into account to improve the trainings conducted.

Our Performance Data

The following diagrams show the number of employees by category and gender, and the training hours for each sub-group. We divide employees at TPL into three groups, namely Executive, Managerial, and Non - Executive. For executive and non-executive employees, the average number of training hours are quite similar for both males and females.



SOCIAL



The different learning and development objectives for 2019 and targets for 2020 and 2021 are as follows:

OBJECTIVES	2019	2020	2021
Technical training and soft skills participation	95%	95%	95%
DLP Certified	95%	95%	95%
Certified Trainers (#)	8	10	15
E-Learning Created (#)	1	6	12

CUSTOMER HEALTH AND SAFETY

GRI 103-1, 103-2, 103-3, 416-1

Why It Matters To Us ?

Assessment of the health and safety impacts of the products TPL produces will ensure that TPL's products will be accepted in both domestic and international markets with no issues. Thus, TPL does a through assessment of its products prior to delivering them to customers. The assessment of the health and safety impacts of TPL's products also ensures meeting the best pulp quality required by customers.

Approach and Management

TPL assesses the impacts from a sales point of view and based on customer feedback on their satisfaction of TPL's products. TPL has a Sales Administration Section which is in charged of managing the health and

Our Performance Data

TPL's goals and targets for 2019 are listed in the following table. All targets were achieved 100%.

safety impact to customers. Should the issue be related to technical problems, the issue will be forwarded to the Technical Sales team for the issue to be investigated and solved.

There is a standard operating procedure in place with regards to customer communication to guide the staff in ensuring that this is done properly. Customer satisfaction surveys are sent out twice a year to obtain feedback from customers. Customers are also able to communicate with TPL at their discretion via e-mail or telephone to request certification or further information on the products.

TPL also conducts internal audits 3 times per year while the external audit by the SGS certification body is conducted on an annual basis.

PERFORMANCE DATA

Goals and targets 2019	How we performed?
95% of product met customers requirement and quality	✓
Zero complain from customer	✓
100% on-time delivery	✓
Certificate of Analysis within 3 days after the vessel docked	✓
Maximum of 1 complaint from customers	✓
Turnaround time for customer complaint is within 48 hours	✓

UN SDGs Contribution



TPL plans to elevate its socio economic initiatives, identifying 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.

In the year 2019, a total of 292 community development program with a total spending of Rp 19.481.274.369 was spent across eight districts around TPL's operating area.

A total of 65% from the total program, contributed to eight UN SDGs indicators. The table below displays the detail breakdown of the contribution.

PT Toba Pulp Lestari's United Nation SDGs Contributions

Related UN SDGs	TPL's Programs 2019
SDG 1 No Poverty	7
SDG 2 Zero Hunger	28
SDG 3 Good Health And Well Being	14
SDG 4 Quality Education	45
SDG 6 Clean And Sanitation	60
SDG 7 Affordable And Clean Energy	1
SDG 8 Decent Work And Economic Growth	5
SDG 9 Industry, Innovation And Infrastructure	30
Non SDGs	102
Total Programs	292

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TOPIC-SPECIFIC DISCLOSURE

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