



COMMUNICATION ON PROGRESS 2011

Company Name	PT Pindo Deli Pulp and Paper Mills		
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Sector	Pulp & Paper Industry	Member since	28 August 2008

Company at a Glance

PT. Pindo Deli Pulp and Paper Mills (Pindo Deli) is a part of APP Group (APP). It was established in 1975 and operates three mills, two mills located at West Kerawang and East Karawang in West Java Province, and one mill in Perawang in Riau Province. The company produces a wide range of tissue and paper products, including photocopy paper and specialty paper, such as carbonless, cast coated, art paper, and uncoated wood-free.

This COP will cover Pindo Deli Mills in West Java Province.

Statement of Continuing Support

Statement of Support from APP Group



STATEMENT OF CONTINUOUS SUPPORT

During its third year as a member of the United Nations Global Compact (UNGC), companies under the APP Group Indonesia (APP) strengthen its sustainability commitment through various initiatives under the umbrella of the Global Compact. The previous World Water day, March, 22 2011, marked APP as one of the first Indonesian companies to pledge for the United Nations Global Compact CEO Water Mandate. Following the commitment, APP was chosen to lead the Indonesia Water Mandate Working Group, developed to help members implement the CEO Water Mandate Principles, not only within their own operations, but to also contribute in addressing water scarcity issues in the society generally.

Following the United Nations Human Rights Council endorsement of the 'Protect, Respect and Remedy' Framework in June 2011 as the guiding principles for business on human rights performance, APP committed itself to adopting this framework in improving human rights aspects in its operations. To realize this commitment, APP implements a one year project of corporate-wide Human Rights Assessment, including appointing an independent third party to do a comprehensive human rights audit in all its major operations.

The UN Global Compact Ten Principles are embedded in our various corporate policies and implemented on daily basis within our operations and major supply chain. APP keeps its commitment to sustainability by creating opportunities for community surrounding its operations and beyond. The commitment realized through its various community empowerment programs aim to support the national goals of the UN Millennium Development Goals. Together with its pulpwood suppliers, APP initiated conservation programs to protect biodiversity and the environment and increasing the use of sustainable forest management certified material. We adopt best practices technologies in our mill operations to continually reduce greenhouse gas emissions.

Through our second Communication on Progress Report, we would like to share with you highlights of the implementation of the principles of the Global Compact in our operations. As recommended by the UN Global Compact COP guideline, and as a part of our commitment to transparency, we have also released our APP Sustainability Report 2008-2009 based on the GRI A+ level.

Through these measures and future improvement plans APP dedicated itself company-wide to continuous improvement using the UNGC Ten Principles as one of its main guidelines.

Jakarta, 15 December 2011

A handwritten signature in black ink, appearing to read 'Aida Greenbury', with the date '11/22/11' written next to it.

Aida Greenbury
Managing Director Sustainability & Stakeholder Engagement
Asia Pulp & Paper Group Indonesia

Statement of Support from the Management of Pindo Deli Pulp and Paper Mills

STATEMENT OF CONTINUOUS SUPPORT

Pindo Deli Pulp and Paper Mills fully support the implementation of the Global Compact Ten Principles throughout its operations. As a responsible manufacturer, We realize our responsibilities to the environment and to our surrounding community to minimize impacts of our operations and to provide better living opportunities for people living around our operation area and beyond. The United Nations Global Compact Principles provide us with a set of guidance to conduct our operations in a sustainable manner and we continuously evaluate and improve its implementations in our day to day operations.

ELEMENT 1: HUMAN RIGHTS

Principle 1 - Business should support and respect the protection of internationally proclaimed human rights

Pindo Deli is a company that support and respect the protection of human rights. As is the case for all mills under the APP Group, the mills have a Collective Bargaining Agreement which contain terms of working conditions including recruitment procedures, working hours, leave and overtime, salary and benefits, and other employment matters. The Agreement is developed and agreed by both Management and representatives of labor union in the mills to be applied to all employees. The document is reviewed and improved every year based on feedbacks and discussion among both parties. Clauses within the Agreement is relevant to Indonesian labor laws and regulations and applicable international best practices.

The company also ensure that employee performance evaluations and career paths are determined strictly from professional skill and knowledge without race, gender and any other non-professional issues being taken into consideration.

Principle 2 - Business should ensure that they are not complicit in human rights abuses

The company recognizes workers rights to be a part of the labor union and to voice their opinions collectively through the organization or individually. The freedom of association policy is officially stated in the Collective Bargaining agreement.

As also stated in the Collective Bargaining agreement, Pindo Deli mills respect employee's rights, prohibit inhumanity treatment such as corporal punishment and all forms of harassment. The company also holds regular meetings with labor union representatives to discuss various issues related to employment.

Occupational Health and Safety (OHS) is also considered as one of the most important aspect in its operations. To implement best practices of occupational health and safety, the company ensures every work element is in accordance with OHS System as regulated in the national health and safety system (SMK3) and OHSAS 18001 guidelines. Pindo Deli is SMK3 and OHSAS certified since 2005. In addition, the mills also implement regular audits on Emergency Preparedness and Response. The Collective Bargaining agreement is also mentioned that every employee has obligation to maintain safety and hygiene in workplace, and to take preventive measures to avoid hazard and accidents in any activity.

ELEMENT 2: LABOUR

Principle 3 - Freedom of Association and Collective Bargaining

In the Collective Bargaining Agreement it is described that employees have the right for self-improvement by attending trainings and other forms of capacity building activities without discrimination. Technical skills and management trainings are provided to Pindo Deli's employees, such as forklift operation trainings, advance supervisory trainings, and team building activities. These trainings were conducted within the Pindo Deli area and were supported by all the outbound facilities located in the mill area.



Employee trainings in the basic and advance supervisory, forklift and outbound trainings

Employee also has opportunities to convey their aspirations to the management during regular meeting between labor union and the company. The company is obligated to note and give reasonable response in regards to the employee's aspirations.

Principle 4 - Business should uphold the elimination of all forms of forced and compulsory labor

The Collective Bargaining agreement, which is developed based on the Industrial Relation law and regulation in Indonesia, the 1945 Indonesian Constitution and Indonesia regulation No. 13 year 2003, covers not only employees' rights to join labor union but also their rights to join other organizations such as employee Cooperative, religious activities, and participate in sport, art, and social activities.



Employees' activities in religion, art participation, and blood donation

Pindo Deli also awarded its loyal employees with the Golden Pin Award. The award is given to employees who have been working with the company for over 20 years. This award is usually given during the commemoration of Indonesian Independence day on August 17th.



The delivery of Golden Pin Award at Indonesia's Independence Day

Principle 5 - Business should uphold the effective abolition of child labor

Consistent with government regulation, Pindo Deli only employs people above the age of 18 years old. This is also stated in one of the clauses in the Collective Bargaining Agreement. However, as a preventive action to abolish child workers, the company provides scholarships and school supplies to students and the local schools and universities.



Pindo Deli's Corporate Social Responsibility in education program

Principle 6 - Business should uphold the elimination of discrimination in respect of employment and occupation

Recruitment process in Pindo Deli is strictly regulated in the Collective Bargaining agreement. It is stated in the document that equal opportunities are given to all applicants without a distinction of sex, tribe, race, religion, and other non-relevant aspects.

To enhance the implementation of human rights principles, the company has adopted the 'Protect, Respect and Remedy' Framework that endorsed by the United Nations Human Rights Council as the guiding principles for business on human rights performance. Following the commitment, Pindo Deli conducted a one year Human Rights assessment project including an independent third party audit against national laws and regulations as well as relevant international best practices.

ELEMENT 3: ENVIRONMENT

Principle 7 - Businesses should support a precautionary approach to environmental challenges

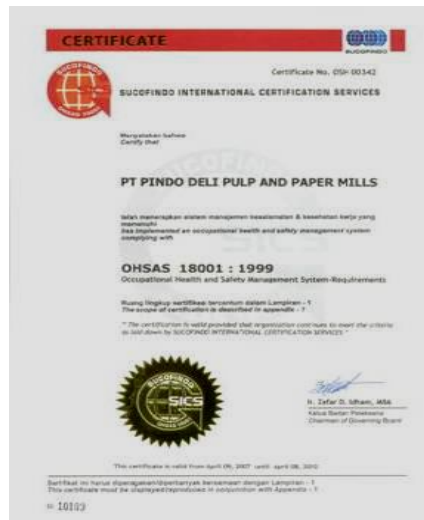
Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies

As a responsible manufacturer, Pindo Deli is committed to ensure its activities and operations is safe to the environment by following global best practices and adopting environmentally friendly production technologies. Also, the company is committed to implement a responsible energy management and Green House Gas Reduction. The mills

also strive to implement energy efficiency practices throughout its premises, plant and equipments.

As evidence of its commitment in implementing best practices on all aspects of its operations, the company has achieved certifications under various schemes including ISO 9001, ISO 14001, European Eco-label, New Zeland Eco-label, Indonesian Eco-label, FDA (Food and Drug Administration) for food packaging, OHSAS 18001 (Occupational Health & Safety Management System), Halal (religious certification) for tissue roll and converted, and UNEP (United Nations Environment Programme) appreciation for the implementation of cleaner production and green house reduction.



The Pindo Deli's certifications of ISO 14001:2004, OHSAS 18001, and UNEP appreciation for the implementation of cleaner production.

The company applies environmental management and monitoring practices according to the government regulation. The mills' environmental performances are regularly reported to local as well as national level government environmental agencies. Pindo Deli is committed in reducing its waste by implementing the 3R principles (reduce, reuse, and recycle). Its long term goal is Zero Waste Disposal with the priority of reducing its hazardous waste. Currently, the mills reuse and recycle some of its hazardous waste in accordance with applicable hazardous waste regulations.

Pindo Deli Energy Management Policy signifies the company's commitment in controlling the level of energy generated and consumed during production processes. Energy reduction is stated as one of the main Key Performance Indicators (KPI) of the mills' Energy Management Team. To achieve significant energy reduction in the mills' operations, its team has to implement the following tasks:

1. Identify and assess the aspect and impact of energy utilization.

2. Set reliable working plan, program and action plan to of various energy efficiency projects
3. Implement the planned program along with reasonable resources
4. Develop and provide energy-efficient equipments/technology for manufacturing, maintenance and offices
5. Monitor the planned action taken and their development in order to ensure comprehensive achievement
6. Establish database of control, report, energy cost and target achievement
7. Communicate this energy efficiency project to all concerned levels within the organization and interested parties wherever applicable to increase the awareness
8. Train and educate our employees and related subcontractors to enhance the project implementation entirely
9. Deliver regular report to the Top Management and concerned Stakeholders regarding the Mill Energy Management System achievement

By implementing this policy, energy mapping and emission calculation in the company's operations can be conducted. It will help company to make decisions and strategies for energy and emission reduction.

ELEMENT 4: ANTI CORRUPTION

Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery

Pindo Deli implements whistle-blowing program since 2009 to prevent and eradicate any practice of corruption activities within the company. This program facilitates employees to report any activities that might not adhere to the anti corruption principles.

This program is wholly supported by top-level management. The company guarantees the confidentiality of the whistle blower identity. Upon receiving a whistle blower's report, the company's ethics team investigates the charges.

The program is promoted through banners and posters posted throughout the offices and mill areas. The socialization of the program also involves employee seminars and trainings in order to provide employees with in-depth understanding of the program and to encourage their involvement in this program.



Anti-Corruption banner

The company has also established an Internal Control and Audit Division (ICAD), which manages anonymous reports from employees and conducts investigations to verify the facts of the reports. ICAD's investigation reports then serve as the basis for any decision the company takes related to the suspected individual or party.