



COMMUNICATION ON PROGRESS 2011

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Country	Indonesia	Contact No.	+62-21-3929266
Sector	Pulp & Paper Industry	Member since	28 August 2008

Company at a Glance

PT. Pabrik Kertas Tjiwi Kimia Tbk (Tjiwi Kimia) is a part of Asia Pulp and Paper Group (APP). It was established in 1972, and is located in Sidoarjo, East Java Province. It has been listed on the Indonesia Stock Exchange (formerly Jakarta and Surabaya Stock Exchange) since 1990. The company started producing paper in 1978 with initial capacity of 12,000 tons of paper products per year. Its total annual production capacity is around 1.3 million tonnes of paper products.

The company's main business activity is producing writing and printing papers, both coated and uncoated. The company also produces a wide range of converted stationery and office products sold across the world. In line with market demands, the company produces higher value added products, including carbonless paper and cast coated paper and board.

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 realize 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 blue 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 Tjiwi Kimia

STATEMENT OF CONTINUOUS SUPPORT

PT. Pabrik Kertas Tjiwi Kimia Tbk has been consistently active and continuously participated in the United Nations Global Compact (UNGC) programs. We fully support of the sustainable implementations of the principles in the areas of human rights, labor, environment and anti-corruption in all aspects of our operations.

ELEMENT 1: HUMAN RIGHTS

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

Tjiwi Kimia is a business that commits to upholding, implementing and giving protection for the rights of employees. We consider our employees as our partner in business and we always respect their rights relevant to labor laws and regulations and international best practices. Arrangements for implementation of human rights in the company mostly covered in clauses of the Collective Bargaining Labour. This agreement is consistent with Indonesian regulation no 13 year 2003 that covers manpower issues. The agreement was developed and agreed by both management of Tjiwi Kimia and labor union representative and applied to all the mill's employees.

An example of our commitment of human rights protection in our company is Tjiwi Kimia's strong commitment in the campaign and education of HIV/AIDS issues in the workplace. In 2009, Tjiwi Kimia was awarded the United Nations Millennium Development Goals (UN MDGs) award for its contribution to HIV/AIDS campaign and prevention in and outside the workplace, including developing series of handbooks which are adopted by the local government as the official guidance for HIV/AIDS handling in the work place. Tjiwi Kimia's employees that were infected with HIV is allowed continue working and provided with necessary health care.



World AIDS Day Commemoration Parade supported by Tjiwi Kimia and the Government, participated by employees and communities near the mill operation

The development of Collective Bargaining agreement shows that we work together to maintain the continuity of work and a mutual respect between both parties. The result achieved from the protection of employee rights is a productive working atmosphere where all employees can work comfortably and peacefully, along with a well-maintained healthy relationship between both parties.

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

We ensure that human rights will not be ignored or abused. This principle has been implemented by giving every employee the freedom to join labour union. The same opportunity to advance their career is also given without any consideration of race, class and ideology. We also ensure that the responsibilities and workload are in accordance with professional knowledge and skills and agreed employment contracts. A fair and transparent performance evaluation is applied to every employee. This we believe could encourage employee to enhance their quality of work.

If there are complaints, we always respond with a reasonable solution referring to relevant standard operation procedures and government regulations. Through the labor union, we provide opportunities for employees to consult with management team at any time. To further enhance the implementation of human rights practices in its operations, earlier this year Tjiwi Kimia also adopt the framework of 'Protect, Respect and Remedy' that was endorsed by the UN Human Rights Council as the business guidance on human rights performance. At this point, the implementation of human right practices in all our operations was examined using the national laws and regulations and relevant international and best practices, which involved an independent third party human rights audit.

ELEMENT 2: LABOUR

Principle 3 – Freedom of Association and Collective Bargaining

Freedom of association is governed by the 1945 Indonesian Constitution, article 29 paragraph 2. In implementing the 1945 mandate, we apply a form of collective agreements in order to regulate the employees' freedom of association. The Collective Agreement document is a set of working conditions developed and agreed by both the management and labor union representatives to be applied to all employees. The Collective Agreement was evaluated every year to improve its content based on the implementation the year before and feedback from both employees and Management.

The Collective Agreement document states that every employee has the right to join labour unions and they are also given freedom of speech to delivering their opinions. Employees can complaint to the company management through the facilities and mechanism provided by the company. Those complaints will be answered with a reasonable response according to the issue. We have a bipartite institution established in our company, serving as an institution outside the Union. This institution bridges the aspirations between employees and unions with management to provide reasonable solutions to employment issues. Regular meetings are also conducted to give more space in communication with employees. A variety of employment-related issues are always discussed in the regular meeting.



Regular meeting between Management, and Labor Union representatives to discuss labor and employment issues

The company also provides the freedom for employees to join organizations, such as Indonesian Workers Union, employee Cooperative, religious activities and other community organizations.

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

Tjiwi Kimia prohibits any type of forced labour. We ensure that the regulations are implemented in accordance with government regulations such as work hours, overtime, leave, working conditions and other matters related to fundamental labor rights. The work presented must be in accordance with the contract signed by the employee. In the event of a distortion occurs, compensation will be given to the employee in line with the lost referring to the government regulation and guidelines for accident compensation.

In March 2010, company achieved “The Best Company in Bipartite competition” which awarded by Dr H Soekarwo, East Java Governor in province level. The company then represented East Java to compete at National level.



Tjiwi Kimia was awarded “The Best Company in LKS Bipartite” in 2010

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

Consistent with government regulation, Tjiwi Kimia only employs those with age 18 or above. This is also stated in Tjiwi Kimia Collective Agreement in one of the clauses related to recruitment procedures.



Children activities in House of Education in Mojokerto

As a preventive measure to child labor, Tjiwi Kimia put significant efforts into the education of the younger generations of the community surrounding the mill. We build the House of Education (Rumah Pintar) in Mojokerto that serve as a center for students' activities in the area. It has educational facilities such as computers, books, craft supplies, as well as classes such as Mandarin and English class and others. We also provide scholarships for school-age children, and providing school supplies to schools around the company. An opportunity of site visit at our mill, or Study Tour, is also given to schools who want to bring over their students to our mill for study, training and research purposes.



Tjiwi Kimia believes that education is the key to prevent child labor

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

In its operation, Tjiwi Kimia always gives opportunity to employees to develop their career without a distinction of race, religion, class and ideology. Our commitment is also written in the Collective Bargaining Agreement.

ELEMENT 3: ENVIRONMENT

Principle 7: Business should support a precautionary approach to environmental challenges.

Principle 8: Business should undertake initiatives to promote greater environmental responsibility

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies

As a responsible manufacturer, Tjiwi Kimia is ISO 14001 certified since 1998. These following actions are some of our efforts in minimizing our operations' impact to the surrounding environment:

1. We use the governor's regulation as our environmental parameter standard, in which it has a higher standard than set by the Indonesian government.
2. We monitor and mark air emissions generated by vehicles operating inside the mill's parameters.
3. If the vehicle does not meet our standard, the vehicle is not allowed to operate until the problem is fixed.
4. In addition to using an environmentally friendly technology in waste management, we also participate in external activities related to the environment, such as planting around one thousand trees in nearby area. This program is a part of the local forest restoration program.



Emission control sticker for vehicle inside mill operations

In light of promoting the environmental awareness, the company also held the "bike to work" campaign to reduce the air emission from transportation. Tjiwi Kimia also won the Best Performance in a Provincial Level Competition among companies and government agencies

related to the green movement. We achieved the gold category in the production, workshop, warehouse, office, and environment area.



Tjiwi Kimia achieves Gold Medal for green movement competition in East Java Province

In addition to the ISO 14001 for Environmental Management System, the company has also earned certification for Quality Management System ISO 9001, Environmental, Occupational Health & Safety (OHSAS) / SMK 3, PEFC CoC certificate and LEI CoC certificate for its raw material chain of custody, Green Seal certificate for its recycled products, Hongkong Green Logo Certificate, Green Logo Singapore Certificate, Ecolabel, and NF Environment product for French Market.

ELEMENT 4: ANTI CORRUPTION

Principle 10: Business should work against corruption in all its forms, including extortion and bribery

As is the case for companies under the APP Group, Tjiwi Kimia implements the Whistle blowing program in order to support the implementation of the principles of Good Corporate Governance (GCG), particularly to combat corruption practices. We support the development of policies and procedures for fraud investigation purpose. Along with all employees, the company is committed to execute all the fraud-related practices. We also have an Ethics Call Centre where all employees can report corruption related activities to be further investigated. The whistleblower's identity and the confidentiality of the information are protected by the company. We have also in place an award system to appreciate contributions of employees in recognizing corruptive practices in our operations. Trainings are also conducted for Anti corruption programs in Tjiwi Kimia.



Employees participated in the workshop for Good Corporate Governance and Whistle Blowing programme