



COMMUNICATION ON PROGRESS 2010

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Sector	Pulp & Paper Industry	Member Since	28 August 2010

Company at a Glance

PT. Pindo Deli Pulp and Paper Mills is a part of APP Group (APP). It was established in 1975 and operates three mills, located at West Karawang, East Karawang and 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. Well-known company brands include Bola Dunia, Golden Coin, Golden Star, Lucky Boss, Mirage, Impression, Anchor and Paseo.

Statement of Continuing Support



STATEMENT OF CONTINUED SUPPORT

As a leading global manufacturer of paper products, APP Group Indonesia (APP Group) recognizes the dual responsibility of good stewardship; we must be good stewards of the investment made in our company by its shareholders, employees and customers, also good stewards of the technological, natural and human resources we require to conduct our business. Recognizing this expectation to be a responsible industry leader, APP Group is committed to responsible Best Practices in all of its production facilities, and to Sustainable Forest Management for all of its pulpwood sources.

APP Group's vision is to become the 21st Century's premiere, world-class pulp and paper manufacturer – a company dedicated to providing superior value to customers, shareholders, employees and the community. To fulfill this vision, APP Group has committed itself to being socially, environmentally and economically sustainable throughout its operations.

For us, the meaning of sustainability is to maintain the balance of three pillars – social, environmental and economic - throughout the pulp and paper-making supply chain, which are required for the long-term success of our business and for the long-term needs of the communities and areas in which we operate.

UN Global Compact provides a framework for our commitment to sustainability and responsible business practice. APP Group is committed to adhere to the ten principles of UN Global Compact in our strategy, culture and day-to-day operational activities. This commitment is shown by submitting the Communications on Progress report annually in accordance to the UN Global Compact's protocol.

APP Group will keep this commitment to sustainability by helping to empower people in the communities where we operate, initiating conservation programs to protect biodiversity and the environment, increasing the use of sustainable forest management certified material, adopting best practices in our mill operations to continually reduce greenhouse gas emissions, and by dedicating ourselves company-wide to continuous improvement.

Jakarta, 11 October 2010

A handwritten signature in black ink, appearing to read "Aida Greenbury".

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

PT. Pindo Deli Pulp and Paper Mills' Statement of Continued Support

PT. Pindo Deli Pulp and Paper Mills is committed to following the principles of the UN Global Compact. To that end, the company is dedicated to minimizing, if not eliminating entirely, any negative environmental and social impact that might arise from its production processes. In addition, it continually strives to eliminate all forms of corruption, including threat and bribery in all levels of its operation.

AREA 1: ENVIRONMENT

PT. Pindo Deli's approach to the environmental issues is in line with the three principles of the UN Global Compact:

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 paper company, Pindo Deli is committed to ensuring that the impact of its activities and operations do not harm the global environment. To that end, it aims to achieve continual improvement in its environmental performance by following global best practices and adopting environmentally friendly production technologies

- In 1999, Pindo Deli earned its initial ISO 14001 Environmental Management System (EMS) certification, and has since upgraded it to ISO 14001:2004, the latest EMS standard.
- In 2008, Pindo Deli along with a number of other APP mills, applied for PROPER, a multi-level certification established by the Ministry of Environment of the Republic of Indonesia, based on the requirements of its Program for Pollution Control, Evaluation and Rating (PROPER). In 2009, Pindo Deli was awarded Blue and Green Rating for Pindo 1 and Pindo 2 respectively. The Ministry gives Blue and Green Rating to mills that produce emissions at levels below those permitted by government standards and which use clean technology, minimize waste, prevent pollution and conserve resources.
- In 2009, the company renewed its Indonesian and European Union Eco-label certifications. Pindo Deli also attained the Taiwan Eco-label standard for its recycled photocopy paper and renewed its FDA (Food and Drug Administration) compliance statement for US food grade paper.
- As a proof of the company's commitment to produce paper in an environmentally-friendly technology, both Pindo Deli mills practice the "three Rs" of good resource stewardship – reduce, reuse and recycle – and have incorporated these measures into their quarterly Environmental Management System management review of operations.

The company follows waste management policies to reduce pollutants. And even its wastewater plants employ activated sludge treatments, as well as physical and chemical treatments to ensure wastewater is safe and clean for discharge into local waterways.

- In February 2008, Pindo Deli mills achieved Chain-of-Custody (CoC) certification under the Programme for the Endorsement of Forest Certification (PEFC) standard. PEFC is a leading, internationally recognized forest management certification standards endorsement program and has certified 226 million hectares of forest in 24 countries, which make it the largest sustainable forest certification scheme in the world. This certification signifies that these mills can make credible claims that the fiber in their PEFC certified products can be traced to its origin and that they contain fiber from PEFC certified sources.
- In 2009, Pindo Deli mills achieved the LEI CoC standard. LEI or the Indonesian Ecolabelling Standard is a constituent based organization that promotes sustainable forest resource management in Indonesia through the development of forest management systems into forest certification systems
- The company also ensures the integrity of its fiber supply by only purchasing environmentally certified world market pulp that meets CSA, FSC, PEFC or SFI certification standards and criteria.



Communities project planting crops on set aside land

- Working together with local communities, schools, and its labor union, the company plants crops and vegetables on land set aside by the company. Income from selling the harvest is re-invested to develop programs that benefit the community. The company's goal is to provide local villagers and students an agri-business education that will enable them to profit from their agricultural efforts.
- The company also replants open and barren land with hardwood. Currently, 1700 hectares of land have been replanted to form green open spaces that serves as a lung for the industrial area where the mill resides.
- To help improve economic conditions for local paddy farmers, the company provides a working fund to purchase seed and fertilizer, to implement irrigation projects and to underwrite other necessities until crops are harvested, in coordination with the company's employee cooperative. This program is expected to help the farmers avoid using the service of brokers which typically charge high interest rates.

- The company also created a program to educate the local community on catfish farming. The communities will be responsible for managing the farm, and after a couple of harvest cycles, they will manage the farm independently with working funds set up from the previous profits.
- In 2007, APP, the company and their pulpwood suppliers joined with other forest concession holders, the Indonesian Ministry of Forestry, local governments and non-governmental organizations to create and co-finance a 100,000-hectare-plus tiger sanctuary in the province of Riau, Sumatera. In 2008, Pindo Deli, through APP and its pulpwood suppliers, took part in various activities organized by the sanctuary's Working Group whose primary goals are to preserve tigers and their habitat, and avoid human-tiger conflict in the area. One of the Working Group's activities was to post signs along the outer signs of the protected area to clearly mark its boundaries in an effort to increase awareness of the area's status and reduce the threats posed by human activities – which are among the most threatening for the well being and survival of Sumatran Tigers.

Today, APP, its pulpwood suppliers and other Working Group members plan to implement a study to develop strategies to protect tigers away from settlements.

- In June 2009, PT Rimba Hutani Mas, one of APP's pulpwood suppliers located in Jambi Province signed a joint declaration to establish the Taman Raja Nature Preserve. The agreement establishes a framework for multi-stakeholder collaboration in managing the Taman Raja Nature Preserve and surrounding areas, including involvement from central and local government, NGOs, industry and the community. This multi-stakeholder approach ensures that relevant concerns and opinions regarding the economic, social and environmental sustainability of the area are taken into account



Lubuk Lesung at Taman Raja Natural Reserve

- In collaboration with the Riau Forest Department, APP, the company and Sinarmas Forestry are moving forward with plans to establish the GSK-BB Biosphere Reserve. This is the first Biosphere Reserve initiative in the world proposed by members of the forest industry.

The Giam Siak Kecil-Bukit Batu (GSK-BB) Biosphere Reserve received official approval by the United Nations Educational, Scientific and Cultural Organization (UNESCO Man and the Biosphere Programme). The Chief Court of the 21st Session of the International Coordinating Council of the Man and the Biosphere Programme (MAB/ICC) made the decision at its meeting in Jeju, the Republic of Korea. The 178,000 hectares GSK-BB reserve was one of 22 proposed biosphere locations in 17 countries to receive approval.

The Biosphere Reserve will be unique due to the inclusion of a large swath of pristine peat-swamp forest, and will be home to a diverse range of flora and fauna.

- In August 2008, APP released the results of its first Carbon Footprint Assessment, which showed that all pulp and paper mills that supply product for APP, including Pindo Deli, are operating well within industry standards related to Green House Gases (GHG) emissions.
- During 2009, Pindo Deli together with APP and independent consultant Environmental Resource Management, continued its Carbon Footprint Assessment. This second phase, known as Carbon Footprint Monitoring, was conducted simultaneously with a Life Cycle Assessment. This assessment will be finalized by the end of 2010.

AREA 2: ANTI CORRUPTION

Pindo Deli's approach to anti-corruption efforts is in line with Principle 10 of the UN Global Compact:

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

- The company endorses a whistle-blowing program to support its Good Corporate Governance (GCG) Program. This program gives employees a way to report any activities that might not adhere to GCG policies. GCG Guidelines state that a "Whistle Blowing Program is part of the ethical driver for implementation of GCG, besides regulatory requirements." This program is also considered as one of the most effective means for preventing and combating practices that compromise good corporate governance.
- This program is wholly supported by top-level management. In accordance to the Sarbanes-Oxley Act, the company guarantees the confidentiality of whistle blowers. Upon receiving a whistle blower's report, the company's ethics team investigates the charges.
- In support of the program, the company has formed an Internal Control and Audit Division (ICAD), which manages anonymous reports from employees and conducts investigations to verify the truth 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.
- The program is promoted through banners and posters posted throughout the office and mill areas, and through employee seminars to provide workers with a deeper understanding of the program and to encourage their involvement.
- To date, 50 cases have been reported and investigated based on reports from employees and vendors. Thirty six have been processed completely. Of those, 26 percent were related to bribery, 8 percent were about misusing company's money, 46 percent were about abuse and violation of company's regulations, and 20 percent were on other issues.