



**lontar papyrus**   
pulp and paper products



## COMMUNICATION ON PROGRESS 2010

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<b>Sector</b>	Pulp & Paper Industry	<b>Member Since</b>	28 August 2008

## Company at a Glance

PT. Lontar Papyrus Pulp and Paper Industry (LPPPI) is a part of the APP Group (APP). It was established in 1974, with offices in Jambi and its plant in Tebing Tinggi, Jambi. Its main business activity is the production of pulp and tissue. Its total production is over 1 million tons of pulp and tissue annually.

The company started its operation on 1976 and currently employs around 2,300 people directly.

## 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 21<sup>st</sup> 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', with a small dot at the end.

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

## Commitment of Continued Support



**PT Lontar Papyrus Pulp & Paper Industry has been a participant** of the United Nation Global Compact (UNGC) since 2008. We understand the importance of UNGC's ten principles in the areas of human rights, labour, environment, and anti-corruption.

Progressively, we take appropriate actions in line with the principles, as fundamental guidelines for sustainable and socially responsible development of our business. We continue to support UNGC by incorporating the ten principles in the way we do business,

which helps make us a better corporate citizen in Indonesia. For progress report this year we explain and describe about implementation of UNGC principles which related with environment and anti corruption.

Related to the implementation of environmental sustainability development, the company have high commitment for operate the company in compliance with national laws on sustainability, fiber procurement, environmental protection and health and safety. The regulations are built into the company's policies and operating procedures which are continually monitored

Related to the implementation of Good Corporate Governance (GCG), the company has a commitment to develop and implement corporate governance processes in accordance with the principles of GCG. Those are transparency, accountability, responsibility, independency, and fairness. One of the GCG implementation was the launching of Whistleblowing Programme on December 2008 for support the 10<sup>th</sup> global compact principle about anti corruption including extortion and bribery



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Lin Chin Wen  
President Director

## AREA 1: ENVIRONMENT

PT. Lontar Papyrus' approach to the environmental issues are 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.**

- The company either meets or exceeds all Indonesian laws related to sustainability, fiber procurement, environmental protection and health and safety. The regulations are built into the Company's policies and operating procedures, which are continually monitored. In 1997, Lontar Papyrus earned its initial ISO 14001 Environmental Management System (EMS) certification, and has since upgraded to ISO 14001:2004, the latest EMS standard.
- The company uses ISO Environmental Management Systems (EMS) protocols to reduce its consumption of natural resources and pollutants. It has installed equipment to continuously monitor emissions to provide real-time data to better reduce them. The company also installed a chip screening and recovery system in the mill wood yard. An indirect benefit from the improved recovery of fiber in the mill wood yard is a reduction in the amount of pulpwood needed for paper production at the mill.
- In 2008, Lontar Papyrus, along with a number of other APP mills, applied for a PROPER certificate, 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). The mill was awarded Blue rating in 2009. The Ministry gives Blue 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.



**One of the Check Points before the transported logs entered the mill**

- All paper pulp and pulpwood purchased by Lontar Papyrus has a well documented supply chain, ensuring traceability back to the original sources. This Chain-of-Custody (CoC) system aims to ensure that no illegally sourced fiber enters the supply chain. The company ensures that it only sources wood materials that are certified under Sustainable Forest management (SFM) scheme or verified for legality.

- To strengthen its commitment in producing paper from responsible sources, since November 2009, Lontar Papyrus has been certified under PEFC Chain-of-Custody (CoC) requirements. PEFC is a leading, internationally recognized forest certification endorsement program which promotes forest certification through independent third party verification and provides an assurance mechanism to purchasers of wood and paper products that they are promoting responsibly managed forests. Its endorsed national forest certification standards which balance economic, social, and environmental concerns related to the commercial use of forests. With about 30 endorsed national certification systems and nearly 226 million hectares of certified forests, PEFC is the world's largest forest certification system.
- Further maintaining its integrity and commitment as a responsible paper producer, Lontar Papyrus mill has successfully achieved the LEI (CoC) standard during 2009. LEI or the Indonesian Eco-labelling Institute is a constituent based organization that promotes sustainable forest resource management in Indonesia by developing forest management systems into forest certification systems.



**LEI and PEFC certification**

- At the end of 2009, Lontar Papyrus and its pulpwood suppliers were audited to ensure they comply with Legal Origin Verification (LoV) and CoC standards of the Indonesian Eco-labelling Institute. They were also evaluated for Timber Legality and Traceability Verification – Verification of Origin (TLTV - VO) by an independent third-party auditor, SGS (Société Générale de Surveillance). All these measures are taken to ensure the integrity of the mills' raw material source.
- Independent external parties conduct periodic monitoring and inspection of the company's environmental performance. Waste water is monitored every month, while air emissions and ground water and leachate monitoring are done every six months. The inspections follow Ministry of Forestry regulations.

- The company also manages its industrial wastes to minimize the amount of waste that needs to be disposed in landfill. Used batteries are returned to suppliers, sludge cake and boiler ash are made into compost, oil and oil sludge are processed and used as alternative fuel, sawdust is used for boiler's fuel, and fly ash is transported to the company's wood suppliers for use as fertilizer in their plantations. For hazardous waste, the mill adheres to approved disposal method, while for the highly hazardous materials, the company uses authorized and government-licensed hazardous waste disposal companies.
- The company adopts Source Control Policy and the 3R program (Reduce, Reuse, Recycle) to minimize wastewater, solid waste, pollutants and environmental impact. Wastewater plants employ activated sludge treatments as well as physical and chemical treatments to prepare wastewater for safe discharge into the local waterways.



**Water Treatment Plant at Lontar Papyrus mill**

- APP, Lontar Papyrus and their pulpwood suppliers are committed to protecting biodiversity through a "Conservation Beyond Compliance" commitment. 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 to manage the Taman Raja Nature Preserve and surrounding areas, involving 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.
- In 2007, APP, the company and their pulpwood suppliers joined forces with forest concession holders, the Indonesian Ministry of Forestry, local governments and NGOs to create and finance a 106,000-hectare tiger sanctuary in the province of Riau, Sumatra. In 2008, Lontar Papyrus, through APP and its pulpwood suppliers, took part in various activities organized by the sanctuary's Working Group, whose primary goals are to preserve the tigers and their habitat, and avoid human-tiger conflict in the area. One of the Working Group's activities was to put up signs along the perimeter of the protected area to clearly mark its boundaries to increase awareness of the area's status and reduce the threats posed by human activities – which are among the most threatening to the 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 and keep them away from settlements.

- Another example of the company's commitment to "Conservation Beyond Compliance" is the its leadership, through APP and its pulpwood suppliers, in establishing the Giam Siak Kecil – Bukit Batu (GSK-BB) Biosphere Reserve in Riau Province, Sumatra. Biosphere reserves are designed to meet one of the most challenging issues facing the world today – achieving conservation objectives while concurrently accommodating development needs.

In collaboration with the Riau Forest Department, the Company, through APP, 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 21<sup>st</sup> 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.

- Lontar Papyrus and APP initiated a Carbon Footprint Assessment to provide a benchmark against which to measure and reduce their Green House Gas (GHG) emissions and assist Lontar Papyrus to reduce its carbon footprint in the future and chart its progress toward the long-term goal of producing carbon-neutral paper.

In 2008, APP released the results of its first Carbon Footprint Assessment. The assessment showed that all pulp and paper mills that supply product for APP, including Lontar Papyrus, operate well within industry norms with regards to GHG emissions.

- During 2009, Lontar Papyrus together with APP and independent consultant, Environmental Resource Management (ERM) continued its Carbon Footprint Assessment. This second phase has been conducted starting second quarter of 2009 known as Carbon Footprint Monitoring. Furthermore, a Life Cycle Assessment was also conducted simultaneously.

## AREA 2: ANTI CORRUPTION

Lontar Papyrus' 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.**

- Integrity is at the core of the company's corporate values, and all employees are expected to be honest regarding data, processing and reporting. The company has a zero-tolerance policy for corruption and bribery and imposes severe penalties on employees who conduct these illegal actions.
- To avoid corruption and bribery, the company has strict policies regarding its contracts with suppliers. The policies are designed to ensure that before a decision to purchase an item is made, the company must make comparisons among several suppliers to ensure that the company gets the best benefits in terms of pricing, service and product quality.
- To ensure that all employees adhere to the regulations, the company has socialized the regulations in a strict and transparent manner. The company will impose sanctions against employees involved in these illegal actions. To monitor and control the adherence of the regulations effectively, the company has:
  - Raid and Inspection Teams that perform unannounced inspections randomly;
  - Risk Patrol Teams that handle issues identified to have impact on the performance and profit loss of the company;
  - A hotline number to report ethical violations;
  - e-SMS program for all authorized employees.



Socialisation of Whistleblowing Program at Lontar Papyrus mill.

- As a result of the company's strict policies, 15 employees were fired between 2008 and 2009 for engaging in corruption and bribery.
- The company also implements strict regulations on corruption and bribery issues with suppliers and other third parties. If a third party is found involved in corruption or bribery activities, the company has the right to terminate all related contracts and/or work agreement with the said supplier/third party.
- The company has an internal audit team which makes sure that the internal control system is effective to protect the company's assets. In performing its duties, the internal audit team reviews operational and financial information. Any issue found to violate company policies will be presented to the management and audit committee. The internal audit team also makes recommendations on the implementation of company strategies. More than 150 internal audits and inspections are done each year.
- External audits have also been performed on production processes, quality, environment, financial, safety and performance as a whole. External financial auditing is conducted by a public accounting firm that produces the company's yearly financial report.
- The company implements a Whistle-blowing program, in which stakeholders, employees, suppliers and customers, are able to anonymously report practices within the company operation that might be in breach of the company's Good Corporate Governance (GCG) policies. This program implements the GCG principles (TARIF:/ Transparency, Accountability, Responsibility, Independence and Fairness) and is designed to improve the control and monitor process. This program is socialized to the stakeholders through placing banners throughout office and mill areas, and through employee seminars.