



Dear Albert

**RE: Response to Aidenvironment Report**

Thank you for your email dated 1 April 2022. We have reviewed your report “Sustainability issues of a wood pulp giant: the Indonesian Royal Golden Eagle” – it is mostly a compilation of issues which we have either clarified publicly in the past or are addressing in an open and transparent manner. Notwithstanding this, we welcome this opportunity to share with you the responsible business management approach of our group of fibre companies who are guided by the [RGE Forestry, Fibre, Pulp & Paper Sustainability Framework](#), as well as to reaffirm our commitment to the protection and safeguarding of the environment and human rights of workers and communities.

Enclosed as appendix detailed responses on the issues raised in your report:

- APRIL - Appendix I
- Bracell - Appendix II
- Asian Agri - Appendix III

We also wish to take this opportunity to clarify the following:

**Asia Symbol**

Asia Symbol adheres to a strict woodchip and pulp sourcing policy that upholds the principle of No Deforestation and Exploitation. As part of its standard operating procedure (SOP) for sourcing, it conducts risk assessment of all the wood chips and pulp suppliers. Asia Symbol also encourages its suppliers to obtain Chain of Custody Certification for their forest products. Verified by a third party, all wood chips and pulp used in Asia Symbol are traceable. As part of continuous improvement, Asia Symbol will disclose its supply chain in the future.

Asia Symbol’s first choice is always woodchips and pulp from certified plantations/forests whenever they are available. It will continue to take measures to increase the percentage of certified wood chips and pulp in the future.

**Sateri and Asia Pacific Rayon – Hot Button Ranking**

Sateri and APR appreciate Canopy’s efforts to promote sustainability in viscose supply chains. Both business groups would welcome an in-depth examination of their sustainability strategy and actions to date, which they believe would result in a fair, objective and improved Hot Buttons Report rating for the companies. In particular, it would bring to light the work Sateri and APR have done with sister company and major supplier, APRIL, and the substantial commitments and progress APRIL has itself made on sustainability over several years, to address Canopy’s requests for action.

‘Buttons’ and coloured ‘shirts’ are assigned to major viscose and other cellulosic fibre producers based on a set of criteria designed by Canopy.

Sateri and APR are of the view that Canopy's 'high risk' label of both business groups is not based on any factual, objective assessment. The identification of 'ancient & endangered' (A&E) forests is wholly informed by Canopy's online ForestMapper tool which incorrectly identifies the majority of Indonesia and Malaysia as A&E. This is due to a significant lack of precision provided by the tool (low spatial resolution of 100kmx100km) which ignores the complexity of forest landscapes particularly in developing economies.

Notably, there is general lack of A&E forests as defined by the tool in Europe or other OECD countries. Compared to more broadly referenced and peer-reviewed geo-spatial frameworks like the World Resources Institute's Global Forest Watch and the "Global Safety Net", the ForestMapper tool is not well-recognised and supported in the forestry sector.

Sateri and APR have engaged with Canopy for a number of years now. They responded positively to a number of Canopy requests, including adopting an action plan to address gaps in their supply chain, and in particular, a commitment by Sateri to Next Generation textile fibre innovation and technology.

Sateri and APR remain open and keen to pursue constructive engagement that is sincere, fair, objective, and towards improved outcomes for ourselves and for the environment. Their strategic partner, APRIL, has also been in active and facilitated dialogue with Canopy in more recent years.

### **RGE Group of Companies in Various Jurisdictions**

RGE business groups align themselves to the RGE Core Values, RGE Global Code of Conduct, [RGE Sustainability Framework](#) and [5Cs business philosophy](#).

RGE and its group of companies comply with local laws and regulations in the jurisdictions where we conduct business, including taxation laws and obligations, and regularly communicate with our stakeholders. Key Performance Indicators are set annually to drive performance.

We subject ourselves to regular independent financial and other audits and various other forms of business scrutiny, internally and externally, as part of a strong governance framework.

While as a privately held company RGE does not disclose financial or commercially sensitive information, we wish to highlight that Section 5 of your report contains inaccurate information about the organization structures and tax allegations.

### **Relationship between RGE and TPL**

Toba Pulp Lestari (TPL) is a public listed company in Indonesia with its own Independent Board and Management team. While the majority shareholder of TPL is Mr Sukanto Tanoto, Mr Tanoto's shareholding in TPL is a pure financial investment as one would have in any public listed company. As such, TPL is not considered part of RGE group of companies which comprises businesses that are owned, managed and directly controlled. As a supplier to RGE companies, TPL is required to adhere to our sourcing policies, and in this way, we have a relationship with them.

In this regard, we have brought your report to TPL's attention, and they have shared their position on the issues accordingly, which is also found Appendix IV.

## **Conclusion**

RGE and its group of companies always maintain an open dialogue with civil society organisations to understand their views and expectations on complex sustainability challenges, and seeks to collaboratively find solutions. We would be happy to further discuss with you concerns Aidenvironment may have, as well as how we can engage in a constructive manner that will result in meaningful and lasting change in the wood fibre industry.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Ari', with a stylized flourish at the end.

Ignatius Ari Djoko Purnomo  
Head of Corporate Communications  
RGE Indonesia

## APPENDIX I – APRIL Group

As the various issues pertaining to APRIL Group overlap in places, we have grouped our responses under the areas of enquiry.

### Supply chain management

All current and future fiber suppliers, as we have stated before, are required to comply with APRIL's [Sustainable Forest Management Policy 2.0](#) (SFMP), which explicitly states the company's commitment to eliminate deforestation from our supply chain and to protecting the forest and peatland landscapes in which we operate. This commitment is supported by comprehensive due diligence, intensive monitoring, annual verification and reporting. We have previously addressed allegations regarding the supply partners referenced in the report, summarised below:

- **PT. Adindo Hutani Lestari (PT. AHL):** We again confirm, based on evidence from spatial analysis and ground verification, that no deforestation occurred and that there has been no breach of our SFMP 2.0 commitments. This is detailed in our comprehensive [response](#) to Auriga's original claims. We do not take wood supply from **PT. Permata Borneo Abadi**. PT AHL is an independently owned company and the only relationship with APRIL is as a commercial open market supplier and is required to comply with our SFMP 2.0 policies through a set of agreed due diligence procedures. We also reconfirm that no shareholding in PT AHL has ever been held by the shareholders of APRIL or RGE.
- **PT. Fajar Surya Swadaya (FSS):** We confirmed in 2018 that the company is an open market supplier of plantation wood. Supply commenced in June 2017 following completion of an internal due diligence process. As we confirmed previously, APRIL did not purchase or use natural forest wood from this (or any other) supplier. Our due diligence noted that PT FSS had commissioned Tropenbos International to conduct a High Conservation Value assessment of their concessions in April 2015. This was the basis for plantation development carried out in non-HCV areas in 2016-2017. This is explained further in our detailed [response](#) to stakeholders.
- **PT. Mayangkara Tanaman Industri (MTI):** APRIL began taking supply from MTI as an open market supplier in June 2016, which was subject to the same due diligence process as other suppliers. APRIL did not receive or use natural forest wood from this or any other supplier.

We currently take supply from 32 supply partners, which are all listed on our [Sustainability Dashboard](#).

All fiber suppliers are subject to an annual due diligence process before they enter into a contract with the company. This due diligence process is based on national regulations as well as our SFMP 2.0. Fiber suppliers are only eligible to supply fiber to APRIL when they have achieved agreed due diligence standards. Ongoing constructive engagement with this supply base has seen significant improvements against their alignment with our sustainability commitments.

During the term of their contract with APRIL, all fiber suppliers are subject to compliance monitoring. This includes monthly land cover change (LCC) monitoring based on the latest GIS satellite imagery and in-field SFMP 2.0 compliance audits. Fiber suppliers are required to submit monthly ground-verified findings of LCC monitoring.

As well, external assurance is undertaken every year by an independent third party to assess compliance with SFMP 2.0 by APRIL and its suppliers. This is conducted by KPMG PRI and is commissioned by APRIL's [Stakeholder Advisory Committee](#). The [assurance](#) details the compliance with APRIL's SFMP 2.0 commitments of all the company's fiber supply sources, including PT. RAPP,

the operating arm of APRIL, supply partners, open market suppliers and community fiber plantations and is reported publicly.

The bottom line is that our fiber supply is compliant with our SFMP 2.0 commitments, now and into the future. This is a non-negotiable and means no deforestation, no new development on forested peatland and the continued evolution of a balanced, production-protection approach that enables long-term, effective forest restoration and conservation.

### **High Carbon Stock (HCS) assessments**

APRIL makes significant and comprehensive commitments to HCV and HCS processes in its SFMP 2.0 which we encourage you to review in detail. We have also been clear that there are a number of supplier concession areas that were developed prior to the advent of HCV in Indonesia in circa 2003 that were not HCV or HCS assessed because they predate those methodologies and we have a firm commitment to work with credible, independent, technically qualified assessors to complete and submit all outstanding assessments by December 2022, including all HCSA Social Requirements.

To date, HCV assessments have been carried out on 23 supply partner concessions and 10 concessions managed by PT. Riau Andalan Pulp and Paper, the operating arm of APRIL Group. Public summaries are all available on the APRIL Sustainability Dashboard.

No credible evidence has been provided to support claims of deforestation that you reference. APRIL's comprehensive monthly Land Cover Change Analysis across our entire supply chain shows no evidence of any such deforestation. Our ongoing PEFC certification and the annual assurance process carried out by KPMG support this.

### **Fire prevention and suppression**

APRIL is the only company in Riau province to declare an annual Fire Danger Period from 1 July to 30 September across our concessions and those of our supply partners. This is an important tool in our broader fire management strategy to Prevent, Prepare, Respond and Restore which is specifically focused on reducing the impact of fires and haze.

Fire prevention is critical and the flagship [Fire Free Village Program](#) (FFVP) works closely with local communities to replace the need for fire as a land management tool. As of December 31 2020, the total land area covered by the FFVP - through partnerships with 33 villages - was 639,187 hectares, an area more than nine times the size of Singapore. Over the period 2014-2021, the FFVP helped to reduce the impacts of unmanaged fire and haze by more than 85%.

We have invested heavily in our fire suppression capability and are currently fully deploying two helicopters, two airboats, 39 lookout towers, 482 water pumps, and firefighting training for 724 volunteers across 39 Riau villages. We are aided by our Fire Coordination Centre - located near the company's production operations - in managing fire monitoring and suppression activities across all APRIL and supplier concessions.

### **Monitoring GHG missions**

APRIL's greenhouse gas (GHG) emissions inventory, including the development of a methodological framework, calculation and verification, was undertaken by the Carbon Trust (London and Singapore) in 2019 and further reviewed by KPMG (Canada).

The aim of the inventory was to establish baseline GHG emissions estimates and identify emissions reduction measures to achieve our [APRIL2030](#) commitments, which include a series of targets that

will drastically reduce our carbon emissions based on science-based solutions by 2030. These include achieving net zero emissions from land use by optimising carbon sequestration and storage across landscape types including peatland, and minimising emissions through science-based landscape management.

We will also achieve a 25% reduction in the carbon emissions intensity of our fiber products through investments in science and technology, enhancing our operating systems, and sourcing most of our mill and fibre operation's energy needs from clean, renewable energy sources. APRIL has also committed to set a science-based target through the Science Based Targets initiative (SBTi). By joining this initiative, APRIL will ensure that its low-carbon transformation is aligned with climate science.

These commitments and actions complement or support existing emissions management and monitoring strategies including:

- **Zero deforestation and no forest degradation:** APRIL manages approximately 295,000 hectares of conservation and restoration forests on peatland. A recent peer-reviewed study of the Kampar Peninsula (Deshmukh et al. 2021) [\*Conservation slows down emission increase from a tropical peatland in Indonesia\*](#), indicated that protecting the remaining intact tropical peatlands from degradation delivers avoided emissions and offers important climate benefits.
- **Zero fire policy:** APRIL in partnership with communities, government authorities and other fire management agencies works to prevent, detect and suppress all fires that are on or immediately adjacent to its concession areas (up to 5km from our concession boundaries). APRIL's Fire Free Village Program covered an area of 693,187 hectares in 2020, which is more than nine times the area of Singapore.
- **Emissions from managed peatlands:** Globally, peatlands are significant sources of GHGs emissions. Tropical peatlands are still yet to be studied extensively and scientifically, particularly in Southeast Asia. We are committed to contributing to this growing body of knowledge through collaboration with scientists from universities and research institutions, and through our research project to quantify net ecosystem exchange of carbon dioxide and methane from plantations on peatland using state of the art eddy covariance techniques. This project involves measuring the net ecosystem-atmospheric exchange of carbon dioxide and methane using the eddy covariance technique for different land use profiles on the Kampar Peninsula on the east coast of Sumatra, Indonesia: a natural peat forest, a plantation forest area on peatland (*acacia crassicaarpa*), and a mixed land-use area. The data is collected using instruments placed on 50 metre-high flux towers located in each profile area. A fourth flux tower was installed on a mineral plantation in 2019. Assessing the impact of land use change on greenhouse gas emissions across different landscape types will enable APRIL's scientific researchers to calculate the positive or negative net change over time. This will inform landscape management approaches and strategies to reduce overall land use emissions, as well as addressing gaps in the science of tropical peatland management. In March 2020, a scientific research project into greenhouse gas emissions on tropical peatland landscapes, supported by APRIL Group, published its initial findings on methane (CH<sub>4</sub>) gas emissions in Riau. The study found that tropical peatlands are significant CH<sub>4</sub> sources and likely have a greater impact on global atmospheric concentrations than previously thought, while also establishing new links between ground water levels and methane emissions across different land use types. The findings of this study can be viewed [here](#).

### **Water table management**

Optimal mean water table depth changes across the landscape with season, plantation age, peatland elevation, and peat soil type. APRIL has a comprehensive water management process that manages water zones at every 25-50cm change in gradient. APRIL's publicly reported subsidence levels and fire prevention strategies are fully aligned with peatland best management practices and regulatory requirements.

Since 2007, APRIL has been monitoring an expanding network of subsidence poles throughout our plantation and forest concessions. As part of the work of APRIL's Independent Peat Expert Working Group, a scientific team led by Prof Chris Evans of the UK's Centre for Ecology and Hydrology, supported by Indonesian, UK and Finnish scientists and by APRIL's own peatland science team, published an analysis in 2019, [\*Rates and spatial variability of peat subsidence in Acacia plantation and forest landscapes in Sumatra, Indonesia\*](#), based on the first ten years of measurements from this network.

### **Conclusion**

In summary, we would suggest that a complete analysis of APRIL's ESG standing must acknowledge the breadth of our sustainability commitments, such as our Sustainable Forest Management Policy 2.0 and APRIL2030 targets. These include next-level conservation, restoration and community, social and economic development programs, as well as improvements made in supply chain transparency and reporting over several years.

The bottom line in relation to APRIL's fiber supply is compliance with APRIL's SFMP 2.0 commitments, now and in the future. That is a non-negotiable in our business and means no deforestation, no new development on peatland and the continued evolution of a balanced, production-protection approach that enables long-term, effective forest restoration and conservation.

Fiber supply to meet any proposed increased production capacity will come entirely from plantation fiber from APRIL's current concessions and long term supply partners, and open market suppliers. Our growth is based on sustainable intensification, land optimization and production efficiencies. We are a world-class business that invests heavily in science and research to improve our landscape management and silvicultural practices to increase our productivity from our existing plantation footprint and to ensure we continue to operate responsibly and sustainably.

## APPENDIX II - Bracell

Bracell wishes to clarify specific topics relating to our operations pointed out by the report:

- Use of water:
  - The company employs responsible practices in water management in all its operations. These include controlling water consumption with a view to supplying water to the community. These practices are in line with our [Sustainability Policy](#), updated in June 2020, and are guided by the Water Resources Monitoring Program and the conditions of the environmental licensing body's grants.
  - Bracell monitors micro-basins in the regions where it has operations, developing a stronger understanding of each area's hydrographic conditions. Bracell also works for the protection of springs and water bodies, in addition to contributing to the recovery of native forests of legal reserve and Permanent Preservation Areas, as a means to safeguarding these water resources. More information regarding Bracell's practices in terms of water use can be found in [2020 Sustainability Report](#), pages 71-73. English version of 2021 Sustainability Report is planned to be launched at the end of July, 2022.
  - Eucalyptus plantations are spread throughout the state of São Paulo and cover less than 4% of its area, while agriculture and cattle raising covers more than 70% of total State area (source: MapBiomass, 2020). Bracell São Paulo has a 70/30 ratio between its plantations and native forests (Brazilian legal requirement is 80/20), and aims to reach 50:50 ratio in the coming years. Moreover, Bracell São Paulo's eucalyptus occupancy rate at watershed level is below 30% in 85% of its influence area.
  - Perennial crops use more water through evapotranspiration than pasture, but many scientific studies show that eucalyptus uses the same amount of water as native forests (e.g. Almeida, A. C., Soares, J. V., Landsberg, J., J. and Rezende, G. D. Growth and water balance of Eucalyptus grandis hybrid plantations in Brazil during a rotation for pulp production. Elsevier - Forest Ecology and Management v. 251, p.10-21, 2007).
  - Last 30 years rainfall average for Bracell São Paulo's areas is 1,316 mm (CHIRPS-Pentad USGS-EROS United States Geological Survey - Earth Resources Observation and Science), which represents quite good conditions for any crop development, including plantations. A reduced rainfall period has been observed in recent years, mainly due to La Niña weather patterns.
  - The low natural shallow water (rivers, lakes, etc) availability combined with the reduced rainfall observed in recent years and structural losses from capitation to distribution are the main reasons behind Bauru city water supply constraints. Bracell's eucalyptus occupation in the watershed that feeds from the main Bauru water catchment dam is very low (15%).
  - Guarani Aquifer is not affected by Bracell plantations as it covers 1.2 million km<sup>2</sup> along different countries (Brazil, Argentina, Paraguai, Uruguai) and its depth reach hundreds of meters in Bauru region.
  - Bracell plantations are located very far from Amazon biome.
- Use of pesticides:
  - Where pests and diseases are concerned, Bracell applies a basic premise for the maintenance of environmental balance, adopting actions that rely on natural control through genetic resistance and the use of natural predators for pest control. The last



alternative is chemical control, adopted when the others, isolated or associated, are not effective.

- Forest Companies in Brazil are legally authorized to use sulfluramid and glyphosate in eucalyptus plantations. FSC also accepts the use of these products provided the Forest Companies present ESRA (Environmental and Social Risk Analysis), which Bracell's has done.
  - The Stockholm Convention approved the use of sulfluramid in Latin America against leaf-cutting ants, as there is no other alternative thus far. However, Bracell participates in different research groups and continues to conduct experiments to find alternatives for leaf-cutting ant control.
  - Notwithstanding the health concerns raised by World Health Organisation regarding glyphosate many reputable health agencies around the world had re-evaluated and classified glyphosate as a safe product for agricultural use, including ANVISA - National Agency for Health Vigilance (Brazilian Health Ministry). The use of glyphosate is also accepted by international forest certification bodies, such as the Forest Stewardship Council (FSC), so long as due care during handling and application is taken.
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- **Commitment to biodiversity conservation - Bracell clarifies that:**
    - The company does not convert forests into plantations – it only develops or acquires degraded areas, primarily ex-pasture land. The company in São Paulo established plantations mainly in former pasture lands (~93%) and agricultural lands (~7%).
    - It adopts best practices in minimal soil cultivation, mosaic planting with native forests, and maintenance of postharvest waste (bark, branches, and leaves) - these solutions are shared with Bracell-linked producers, also. These practices and the company's sustainable forest mosaics support biodiversity, ecosystem services and landscapes.
    - In 2020, more than 30% of the company's areas in Bahia and São Paulo were dedicated to conservation (native vegetation areas, legal reserve and permanent preservation).
    - Through Bracell's Biodiversity Monitoring and Conservation Program, 829 species were inventoried. Among them, 39 are on the endangered lists of extinction, by bodies such as the International Union for the Conservation of Nature (IUCN) and the Chico Mendes Institute for Biodiversity Conservation (ICMBio). In São Paulo, 451 species were inventoried in 2020 - among them, there are eight species of mammals and one species of bird in the endangered category, according to ICMBio.
    - Bracell is the holder of the PNHR1 Lontra, considered the largest PNHR area on the north coast of Bahia, and recognized as an Advanced Post of the Atlantic Forest Biosphere Reserve (RBMA), a model of integrated, participatory and sustainable management of natural resources recognized by UNESCO - Organization of United Nations for Education, Science and Culture. In addition to Lontra, Bracell Bahia maintains the PNHR Pedra de São José (with 232 ha), and, under registration (already approved by the environmental agency), another 6,467 ha of area.
    - More information regarding Bracell's practices in terms of biodiversity management can be found in our 2020 Sustainability Report, pages 81-85. English version of 2021 Sustainability Report is planned to be launched at the end of July, 2022.

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<sup>1</sup> Private Natural Heritage Reserve.

- **Regarding climate change:**

- Bracell undertakes an annual greenhouse gas GHG emissions inventory of its operations in Bahia and São Paulo following the GHG Protocol methodology and the United Nations Intergovernmental Panel on Climate Change (IPCC) guidelines to identify and quantify our primary emission sources and the respective gases emitted. Based on this analysis, we develop plans and procedures to reduce emissions.
- In 2021, Bracell has engaged a third party consultancy to undertake its GHG inventory study in its operations in Bahia and São Paulo, including standardizing scopes and disclosures.
- In line with global challenge to reduce greenhouse gas emissions, Bracell's new mill in Lençóis Paulista will have a wood waste gasifier to replace fossil fuel by biofuel in the lime kilns, avoiding the emission of fossil CO<sub>2</sub>, and using wood generated in wood handling sector.

- **Regarding wood sourcing:**

- As mentioned above, Bracell only develops on or acquire lands/plantations that were primarily ex-cattle grazing. In São Paulo, it established plantations mainly in former pasture lands (~93%) and agricultural lands (~7%).
- Bracell does not use any area with any kind of dispute, and always complies with Brazilian legislation.
- Eucalyptus planting is carried out in 35 municipalities of the Northern Coast and Agreste of Bahia, and 108 municipalities in the Midwest of São Paulo. We acquired eucalyptus plantations and also work with local farmers through partnerships. Our eucalyptus sources are as follows:
  1. Existing Bracell plantations, which included acquired plantations in 2019 and 2020
  2. Forestry Partnership Programs with local farmers
- The expanded seedling capacity in São Paulo and Bahia's nurseries will support the Forestry Partnership Program and acquired plantations.
- Bracell has a robust Due Diligence process for land acquisition, which includes the verification of the property legal documentation, compliance with environmental legislation (this assessment is made by a third party consultancy), among others, as well as social diagnosis and risk analysis.
- As part of continuous improvement, Bracell aims to conduct a review on its "Framework for use land", based on IFC (International Finance Corporation) guidelines and human rights international standards: we have engaged a consultancy to assess our current practices, identify potential gaps and opportunities to standardize the process throughout Bracell's units.

- **Regarding MST protests and disputed land on Monção Colonial Nucleus – Bracell clarifies that:**

- The protests at Bracell is part of MST's nationwide landless rural workers' movement throughout Brazil, which included protests in Rio Grande do Sul State, Mato Grosso do Sul, Brasília in the Federal District, Amazonas State from 7 – 14 March 2022.
- Bracell fully complies with all the applicable laws in land acquisition, and holds legal land titles to all the areas it acquired in Monção Colonial Nucleus.

- **Regarding Certifications and Voluntary Commitments**

- Bracell's operations in Bahia and São Paulo States hold the following certificates and/ or standards: NBR ISO 14001:2015 (Environmental Management), NBR ISO 9001: 2015 (Quality Management), and the German certificate ISEGA. In the forestry units of São Paulo and Bahia, Bracell holds the Cerflor/PEFC, Brazilian certification recognized internationally by the Program for the Endorsement of Forest Certification (PEFC), focused on sustainable forest management for responsible forest management wood chain of custody. The forestry unit in Bahia also holds the NBR ISO certificate 14001:2015 for Environmental Management.
- Bracell is a signatory of the United Nations Global Compact, and has the responsibility to meet and annually disclose its performance towards the ten principles related to human rights, rights of workers, environmental protection and anti-corruption. Also, Bracell is signatory of the UN Women Empowerment Principles. We commit to promote female empowerment inside and outside the company.
- When undergoing our Project Star expansion in 2020, Bracell was audited by a third party towards the standards of the International Finance Corporation (IFC), arm of the World Bank, Equator Principles, and with the guidelines of the International Labor Organization (ILO).
- Bracell became a member of the Brazilian Business Council for Sustainable Development (CEBDS), and participates in CEBDS' Climate and Energy, and Biodiversity Thematic Chambers. CEBDS is a non-profit civil association that promotes sustainable development through articulation with governments and civil society, representing the World Business Council for Sustainable Development (WBCSD) network in Brazil.

Bracell is committed to being a sustainable business in the circular bioeconomy. We seek to revolutionize the forest-based pulp industry and remain at its forefront, while providing diversified products from responsibly managed renewable plantations. We believe in creating shared value as well as building impactful and long-lasting partnerships, so we may continuously do good for our communities, country, climate, customers and company.



Bracell's Sustainability Strategy is developed to support the UN 2030 Agenda. The key components of our Sustainability Strategy are Responsible Production, Climate, Biodiversity and Landscape, People and Culture, Social Inclusion and Governance. These are aligned with the UN SDGs, and have been designed with targets and metrics to ensure progress can be measured and reported regularly. Underpinning this Sustainability Strategy is a 3-year roadmap which will see Bracell roll out 17 programs to help achieve our environmental, social and governance goals.

### **APPENDIX III – Asian Agri**

In 2006, Asian Agri (“AA”) reported an embezzlement case to the Indonesian authorities. Upon investigation, Vincentius Amin Sutanto, AA's former financial controller was convicted of embezzlement by the Supreme Court in 2008 and sentenced to 11 years in prison.

The former Group Financial Controller then accused AA of purported under-payment of taxes for the period 2002-2005, triggering an investigation by the Indonesian Tax Department (“ITD”) in 2007. Following investigations, the Director General of Tax issued tax assessments to AA in 2013 in the amount of Rp 1.96 trillion (which comprised Rp 1.259 trillion being purported underpayment of taxes and Rp 0.70 trillion being penalties imposed). In good faith and without admission of guilt, AA decided to first pay the taxes raised in the assessment together with the penalties imposed for the alleged tax offence to avoid disruption to its business operations. This was to safeguard the interests of various stakeholders, in particular, the livelihoods of 25,000 employees and 29,000 community farmers.

Following due process, AA and its subsidiaries filed objections to the ITD and appealed against the Indonesian Tax Court. The matter was eventually submitted for judicial review in the Jakarta Supreme Court. Asian Agri prevailed in all 108 cases submitted for judicial review. For the successful judicial review decisions, AA has already received most of the refunds of the “excess” taxes paid and expects to receive the remainder refunds in accordance with court procedures.

Arising from the successful judicial reviews and receipt of refunds, AA is thus vindicated of the alleged tax offence.

While AA has been vindicated of the alleged tax offence in the courts, AA has decided not to proactively seek media coverage on this vindication to avoid unnecessary disruption to its operations and further debate in the public arena.

## APPENDIX IV – Toba Pulp Lestari



### **PT. Toba Pulp Lestari Tbk.**

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Dear AidEnvironment,

Thank you for providing us with the opportunity to respond to the draft-report titled “Sustainability issues of a wood pulp giant: the Indonesian Royal Golden Eagle Group”.

TPL is a licensed forest management company and the Indonesia government is the legal owner of the land. The company is a public listed company in Indonesia with its own Independent Board and Management team and is not part of Royal Golden Eagle group of companies.

### *TPL Wood Sourcing*

TPL is a company engaged in forest management and pulp production. In 2020, based on SK. No. 307 from the Indonesia government, TPL has a license to manage 167,912 hectares of forest and plantations in North Sumatra, Indonesia. TPL's wood sources come from its own concession, PT Sumatra Riang Lestari and smallholders (PKR).

### *NDPE Policy*

TPL is highly committed to No Deforestation, No Peat and No Exploitation. TPL's existing Sustainability Policy explicitly states its commitment to NDPE policies such as:

- TPL is committed to eliminating deforestation (including all forms of conversion of natural forest to agricultural or industrial plantations) from our supply chain and supporting sustainable forest management best practices;
- TPL and its suppliers supports the Government of Indonesia's target of reducing greenhouse gas emissions from land-use activities by adopting peatland management and protection policy according to the IUCN definition of peatland;
- As of 30 June 2014, TPL and its suppliers have not develop any peatland forest at any depth; and TPL will ensure that HCV and HCS in peatland forests is protected; and
- TPL respects the rights of indigenous peoples and rural communities and has responsible practices at work.

### *Land Dispute*

TPL currently has 10 official land claims. Of this number, nine have been successfully resolved and one is still in the process of being resolved and has been reported to the Indonesian government. In order to respect the rights of local and indigenous communities, TPL conducts engagement with communities in line with Free Prior Informed Consent principles before carrying out any operations both inside and outside the concessions. The company also liaises closely with the communities to develop partnerships, such as those focused on intercropping and/or livelihood plantation. Based on TPL Sustainability Policy, Effective 30 June 2014, TPL and its suppliers will only develop non-forested areas, as identified through High Conservation Value (“HCV”) assessments and High Carbon Stock (“HCS”) assessments. The HCS and HCV areas identified from this assessment will be protected and ensure that the supply of wood will not contribute to the degradation or loss of HCS and HCV forests.

*Pargamanan Bintang Maria (PBM) Community*

In 2016, TPL received information regarding the existence of customary land claims from Indonesian Government. TPL team performed a field verification to validate the claim and it became apparent that claimants area of claim was 2KM away from their village (simataniari) located in TPL's concession and this initiative was motivated by external agency. Despite the false claim area, TPL approached the Pargamanan Bintang Maria community living in Simataniari village for amicable solution and partnership program. In 2019, TPL and the Pargaman Bintang Maria community who made the claim to government, agreed for an amicable solution after several approaches by TPL. In 2020, TPL and the Pargaman Bintang Maria community agreed to establish cooperation with a partnership program. The community formed, a forest farmer's group (kelompok tani hutan-KTH) Marsada and cooperated with TPL. Some of the cooperation programs that have been carried out are Frankincense enrichment and assistance in chili cultivation. However, several PBM community instigated by external agency is raising grievance on the same land and TPL have advised them to approach the government to proceed with their land claim.

#### *Alleged Tax Evasion*

On 30 December 2021, TPL has published information regarding "PT Toba Pulp Lestari Tbk Response to Allegations Regarding HS Code Classification" which can be found on the link below.

<https://www.tobapulp.com/wp-content/uploads/2021/12/TPL-Response-rev-30Dec21.pdf>

Finally, we would like to emphasize that TPL is committed to full compliance with laws and regulations in the areas where it operates. Over many years of operation, the company has sought to create positive and open engagement with the communities where it operates and is committed to resolving land disputes in an amicable and constructive manner.

We would welcome the chance to answer any other queries you may have regarding the operations of TPL.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Cheruku' with a stylized flourish at the end.

**Venkateshwarlu Cheruku**  
**Managing Director**  
**PT Toba Pulp Lestari Tbk**