



APP Stakeholder Advisory Forum

Tuesday, 25 July 2024

Event recording: <https://youtu.be/mXAnPqe8xxs>

Opening Remarks

Elim Sritaba, Chief Sustainability Officer APP

First and foremost, I would like to extend my heartfelt gratitude to all of you, our valued stakeholders at APP. Thank you for your continued willingness to invest your time as part of our advisory forum team. The theme for this year's APP Stakeholder Advisory Forum is "Forward Faster."

This theme is inspired by the UN Global Compact's new platform, which was launched last year during the Leaders' Summit in New York during Climate Week. The objective of "Moving Forward Faster" is to prioritize the achievement of five SDGs (Sustainable Development Goals) where progress has been lacking. These goals are climate action, gender equality, water resilience, living wage, and finance and investment.

According to a UN survey, 96% of business leaders believe that the private sector plays a crucial role in achieving the SDGs, and I believe APP is part of this majority. As a global pulp and paper company, APP is fully aware of the urgency of these goals, which are also embedded in our Sustainability Roadmap Vision 2030. However, it's not just about setting goals—it's about taking action and implementing them. We have committed to two specific goals—climate action and gender equality—and today we will demonstrate how these are aligned with our sustainability strategy.

Last year, our priority was on decarbonization, focusing on maintaining consistency in energy efficiency and increasing the use of renewable energy. Notably, one of our OKI mills achieved 98% biomass utilization. We installed a 9.8-megawatt solar panel facility at our Tjiwi Kimia site and committed to increasing this capacity to 45 megawatts across APP mills. We are committed to the Science-Based Targets initiative. After completing the mapping of Scope 1 to 3 emissions, establishing a detailed baseline, and submitting our targets, last year we invited our key suppliers to measure their baselines and encouraged them to contribute to our reduction targets.

These are not easy targets, but we are making progress. Special thanks go to ISO-EcoLab for contributing to our targets in terms of SBTi. We are continuing to protect our natural forests within our supply chain, covering 600,000 hectares of conservation area, which we have managed to restore to 85% in good condition through various restoration measures. Last year, we also established a special committee on Diversity, Equity, and Inclusion (DEI) to provide strategic direction for achieving gender equality.

On the community side, our DMPA (Desa Makmur Peduli Api) program has reached 441 villages, and we are using international tools, such as Social Return on Investment (SROI), to understand the impact of our



investments. The flagship program has shown significant impact in creating shared value within our supply chain. You can see the products on your table and enjoy them.

We all know that global standards are pushing us to work together to make a significant contribution to addressing the climate crisis. For example, the European Union Deforestation Regulation (EUDR) is pushing for implementation by the end of this year. In response, APP has prepared and integrated our traceability system, establishing e-product tracking from upstream to downstream.

Additionally, we are using the TCFD (Task Force on Climate-related Financial Disclosures) framework, another globally recognized tool, to identify risks and explore opportunities to address the climate crisis through our investments, including accelerating emission reductions. We are still on this journey.

Sustainability is about a commitment to continuous action, reflection, evolution, and learning through continuous improvement. APP can only succeed with the support of not only our board and sustainability committee but also all of you, our stakeholders. I truly appreciate the collaboration, support, and passion you bring to working with APP, including my dedicated APP team, who are both smart and hardworking.

I would like to close with a quote that reflects my belief: "Sustainability must be rooted in the heart and soul of an organization focused on creating shared value to preserve its future, the environment, and humanity—our families and the wider community."

In Bahasa: Keberlanjutan harus bisa tertanam di dalam hati dan jiwa suatu organisasi yang fokus untuk menciptakan nilai-nilai bersama dalam melestarikan masa depannya serta alam dan manusia, yaitu keluarga kita sendiri dan orang-orang di sekitar kita.

Guest Speaker:

Y.W Junardi, The President of the Indonesia Global Compact Network

As we gather here for the 13th APP Stakeholders Advisory Forum 2024, I would like to extend my heartfelt gratitude to APP for hosting this important event and for their unwavering commitment to sustainable development practices. This event demonstrates the consistent dedication of APP's leadership in implementing the SDGs for future business sustainability. As Bu Elim mentioned, it is a long journey. Given the dynamic and rapid changes we face in the world today, this journey is not easy. It requires courage and persistence to move forward.

The theme of this event, "Forward Faster with Action," is highly appropriate. As highlighted by UN Secretary-General António Guterres at the UN General Assembly last September, approximately 80% of the SDG targets have stalled or regressed, with only 15% on track to be achieved by 2030. This is one of the key reasons why Mr. Guterres urged business leaders at the UN Global Compact Leaders' Summit last year to act with increased urgency.

In response, the UN Global Compact launched the "Moving Forward Faster" initiative, calling on businesses worldwide to adopt more ambitious and transformative actions to address the pressing challenges of our



time. This initiative promotes sustainable development practices and accelerates progress toward the SDGs. The focus is on five critical areas: gender equality, climate action, living wage, water resilience, and finance and investment. These areas were chosen for their potential to drive progress across all 17 SDGs and because businesses can make the most significant impact by addressing them collectively.

Each area has specific actions to help companies build resilience and support the creation of resilient societies and environments. The urgency of these acceleration programs toward the SDGs cannot be overstated. We are at a critical juncture where the impacts of climate change, inequality, and unsustainable practices are becoming increasingly evident. The time to act is now.

APP has made commendable efforts in aligning with the "Forward Faster" initiative. By reducing carbon emissions, implementing circular economy principles, and engaging with communities, APP is taking significant steps toward a more sustainable and responsible future. These efforts set a standard for other businesses in Indonesia and beyond.

I would also like to recognize Bu Elim's role in leading the launch of the Moving Forward Faster program at the IGCN Annual General Meeting last month. Currently, 14 companies have joined this initiative, and I hope more will follow.

Achieving the SDGs requires collective action and collaboration from all sectors of society. Only through united efforts can we create the transformative changes needed for a sustainable future for all. Let us together accelerate our progress toward the SDGs and work towards a better, more equitable, and sustainable world for future generations. Congratulations again to APP, and I wish you all an informative and productive meeting today.

To conclude my speech, I'd like to share a short poem inspired by John Lennon's "Imagine":

"Imagine all companies united in their stand,
Moving forward faster with sustainable steps in hand.
Imagine all businesses working together hand in hand,
Progressing toward a brighter future, leaving no one behind."

Thank you very much.

Key Highlights of APP Sustainability 2023 **Shoghil Arpu Thaselan, Head of ESG & Compliance APP**

I'm here to share APP's sustainability journey for the year 2023. Before diving into my presentation, I'd like to share a brief story. Over the past six months, I had the privilege of traveling and experiencing APP's value chain firsthand.



One key takeaway from this experience is encapsulated in the quote shared by Ibu Elim earlier, which summarizes APP's sustainability motivation and foundation: creating shared value. Our organization's sustainability journey has been, and continues to be, holistic, encompassing economic, environmental, and social dimensions.

Today's forum centers on UNGC's recent launch of "Forward Faster." APP has had a longstanding relationship with UNGC since 2008. In the third quarter of 2023, with the launch of Forward Faster, we actively participated as a signatory for gender equality and climate action.

With this recent commitment, our team came together to assess APP's current state and alignment with the initiative. The findings were quite humbling, as we discovered that most of APP's initiatives across the economic, environmental, and social aspects are closely aligned with the Forward Faster initiative, as well as the United Nations Sustainable Development Goals (SDGs).

Now, let's take a closer look at the key milestones APP achieved in 2023, starting with the environment. As a sustainability practitioner with over 11 years of experience in corporate sustainability and about 15 years in the social space, I've learned that understanding an organization's sustainability footprint requires a comprehensive view of its economic impact, environmental initiatives, and social outcomes.

In 2023, APP made significant achievements in our downstream operations, including committing to the Science-Based Targets Initiative (SBTi) and leading our roadmap toward net zero emissions. We transitioned to renewable energy by installing solar panels at some of our mills and forestry facilities. In the upstream sector, we reduced fire-affected areas to below 0.1%, achieved 100% legal and industry-standard certification (both voluntary and mandatory), and extended our robust supplier evaluation and risk assessment tool, SERA, to our fiber suppliers with attentive accompaniment.

Attentive accompaniment is crucial because our SERA tool aligns with industry standards such as PEFC, FSC, and the Accountability Framework Initiative. By extending it to the forestry industry in Indonesia, we are privileged to assist our suppliers. We also continued our commitment to forest protection and conservation, restoring 99% of peat domes, keeping our natural forests in good condition, and reducing illegal wildlife poaching tools by 91%.

Now, let's discuss one of my personal favorites, the DMPA. DMPA is a flagship program pioneered by APP, with challenging tasks led by Bapak Agung, who has brought extensive knowledge in forest protection and community engagement to APP. The DMPA program has created shared value among diverse stakeholders, focusing on forest protection, fire prevention, and community empowerment, and has achieved outstanding social ROI. We were humbled to find that for every rupiah invested in the program, we received three rupiah in social return on investment.

In addition to the community-focused aspect of sustainability, we also emphasize the importance of human



capital. As a signatory of UNGC's Gender Equality Initiative, APP initiated a Diversity, Equality, and Inclusion (DEI) Task Force to develop a DEI implementation roadmap. Our talent pool includes 27% women in senior positions. In my own division, 80% of our team members are women. We are working diligently to increase the percentage of women in senior management positions.

I'd like to share a personal story related to gender equality. A few weeks ago, while shopping for shoes with my son, he picked out a pair with pink stripes. Exhausted from visiting multiple stores, I remarked that pink is a girl's color. My son replied, "Anyone can like any color." This moment reminded me of the importance of walking the talk in gender equality, which we strive to do at APP.

Turning to the economic aspect of sustainability, APP takes climate change very seriously. In 2015, we launched Foopak and Enza, a 100% biodegradable food packaging product. While it has been a challenging journey, we are committed to educating the world about environmentally friendly products. Many partners and customers have supported this initiative, and I want to express my gratitude to them.

So, how does all this align with APP's overarching sustainability commitment? APP's commitment spans environmental, social, and governance (ESG) dimensions and is extended into a multi-year strategy called the Sustainability Roadmap Vision 2030 (SRV 2030). This roadmap includes 26 targets to be achieved by 2030. SRV 2030 is the second cycle of our sustainability strategy, following SRV 2020, which was launched in 2012. As of December 2023, we have made progress in six goals, achieved annual targets in 11 areas, and surpassed 2030 targets in nine areas. While we celebrate our achievements, we continue to focus on improving the six areas still in progress.

Our significant milestones and initiatives are supported by robust sustainability governance, which includes a sustainability committee and operational policies at all levels. These efforts are communicated transparently through our sustainability report, available on the APP website.

Finally, I'd like to touch on ESG ratings, an area where I have a love-hate relationship. APP approaches ESG ratings with a humble mindset, striving for continuous improvement. In 2023, we achieved 74% in EcoVadis, ranked fifth in the global timber and pulp industry for SPOTT, and received ratings of A- for forestry and climate and B- for water from CDP. Our subsidiaries achieved ratings of 27.4, 23, and 30.4 respectively under Sustainalytics, where a lower number indicates lower risk.

In conclusion, APP has learned that creating shared value through a hybrid top-down and bottom-up approach leads to organic and sustainable growth within a cohesive ecosystem of learning, action, and reflection.

As a gesture of appreciation and embracing Indonesian culture, let me share a pantun:

"Kehutan Rimba membawa doa,
Dalam setiap langkah, dunia hijau di peluk mesra.



Perubahan kecil bawa hasil yang nyata,
Dengan hati-hati, masa depan bersinar sempurna."

Thank you very much.

FSC Update and DMPA

Elim Sritaba, Chief Sustainability Officer, APP

There's another update that some of you might be waiting for—an update on the FSC process. Although the presentation indicated that we are 100% certified, APP believes in the importance of continuous improvement and upgrading our practices.

We are currently in the process of preparing all baseline assessments for the FSC. The FSC website now has a specific case page where companies, including APP, can update their remedy actions. We have posted our update on our website as well.

Additionally, I would like to provide an update on the Desa Makmur Peduli Api (DMPA) program, led by Pak Agung. When DMPA was launched in 2015, it initially focused on fire prevention through an integrated forestry and farming system. This year, we are excited to announce an upgrade to the program.

We are renaming DMPA to Desa Makmur Peduli Alam. The term "Alam" reflects our expanded focus. While fire prevention remains a key component, we are enhancing the program to not only improve livelihoods but also to further protect nature.

Thank you.

Q&A Sessions

- **Devi from MUFG:** I would like to ask regarding FSC requisition. May I know your target of obtaining the result of the certification and what are your actions and target until you receive again your certification? Thank you.

Elim Sritaba: The FSC process involves navigating the remedy framework because we are currently in a disassociated status with FSC. To reintegrate into their system, companies must undergo this complex remedy framework. The remedy framework is divided into three major chapters, and we are currently working through Chapter Three. The process is extensive, and the duration depends significantly on stakeholder support. Yesterday, we held a special consultation for our baseline assessment preparation. We had around 100 key stakeholders provide valuable feedback, which will help us move forward. The timeline for completion will depend on the results of this baseline assessment, including how many hectares require one-to-one remedy actions as outlined in the FSC framework. Trust-building is also a crucial part of this journey. We will regularly update our specific case page on the FSC website with progress based on milestones. Since it's too early to provide a



precise timeline, we will assess our progress more accurately after completing the baseline assessment. Thank you for your understanding and continued support.

Panel Discussion – Engaging Communities in Operational Areas

The panel discussion aims to explore effective strategies for engaging with communities living in and around the operational and production areas. Through this dialogue, we also aim to understand the cultural, social, and economic impacts of company operations on local communities. We hope that the panelists can share insights and research findings indigenous groups in Indonesia and foster dialogue between experts and community representatives to develop collaborative approaches for sustainable development.

Moderator: Herry Purnomo, Senior Scientist, CIFOR

Panelist

1. Agung Wiyono, Head of Corporate and Social Community Engagement APP
2. Rudi Syaf, Senior Advisor, KKI Warsi
3. Musri Nauli
4. R. Yando Zakaria, Reseacher, Pusat Kajian Etnografi Komunitas Adat

Key Topics

- Importance of sustainable and inclusive development
- Understanding Community Dynamics
- Anthropological perspective of the cultural and social aspects of local communities
- Analysis of the economic, environmental, and social impacts of pulp and paper operations on local communities
- Best practices and lessons learned from community engagement initiatives
- Strategies for mitigating negative impacts and enhancing positive outcomes
- Collaborative Approaches

Panel Discussion – Carbon Pathways: From Source to Sink

The objective of this panel discussion is to explore the intricacies of carbon emissions management in the pulp and paper industry, focusing on both upstream and downstream processes. The discussion will cover strategies for decarbonization, environmental conservation, and the broader implications on energy, climate, and forest ecosystems.

Moderator: Agus Sari, Chief Executive Officer, Landscape Indonesia

Panelist:

1. Wisnu Wijaya Kusuma, Head of Environmental Downstream, APP
2. Jasmine Doloksaribu, Head of Landscape Conservation & Environment, APP
3. Nada Zharfania Zuhaira, Sustainable Business & Net Zero Analyst, WRI Indonesia



Key Topics

1. Decarbonization Strategies

- Current efforts and future plans for reducing carbon emissions in the pulp and paper industry.
- Technological innovations and best practices for achieving carbon reduction.
- Collaboration with stakeholders and policy frameworks supporting decarbonization.

2. Environmental Conservation

- Sustainable forest management and conservation practices in APP
- Impact of upstream activities on local ecosystems
- Strategies for balancing industrial operations with environmental stewardship

3. Research and Insights

- Latest research findings on the impact of the pulp and paper industry on energy consumption, climate change, and forest health
- Role of forests in carbon sequestration and climate mitigation.
- Integration of scientific research into industry practices and policy-making.

4. Challenges and Opportunities

- Identifying and addressing the challenges faced in the implementation of decarbonization and conservation measures.
- Exploring opportunities for innovation and collaboration to enhance sustainability in the industry.
- Discussion on regulatory and market trends influencing the industry's carbon footprint.

Closing Remarks

Elim Sritaba, Chief Sustainability Officer, APP

Thank you all for your patience and for staying with us for half of the day. We've gained a lot of valuable insights, particularly from our social speakers. A special thanks to all the moderator and panelist.

From the environmental perspective, we've shared our challenges and objectives, and I believe we can gain insights from others and learn from different industries as well.

I would now like to invite Pak Rizal Algamar to share his observations on this half-day event. Your feedback will provide valuable insights as we conclude today's discussions.

Rizal Algamar, Asia Pacific Director for Tropical Forest Alliance

I truly appreciate this event. From what we've seen today, APP demonstrates a consistent and continuous commitment to its sustainability journey. The company has a clear roadmap and consistently applies and delivers on its goals. This is something we should all recognize and value.



I'd like to focus on the panel discussions, as this aligns with what Bu Elim expected me to address.

Regarding the first panel on community engagement, it's evident from the discussions that there is a strong positive relationship between APP and its community partners. This reflects good collaboration between the company, its partners, and the communities. However, I'm curious about the community's perspective. Is there a plan to survey community perceptions? Understanding this will be important for APP's long-term engagement with the communities it operates in.

It was suggested that integrating MPR (Medium-Term Performance Review) into village RPGM (*Rencana Pembangunan Jangka Menengah*) desks could be beneficial. This approach would make community engagement a more integral part of district development strategies. While this will take time, the positive relationships and trust established are valuable assets that APP can build upon.

On the topic of carbon pathways, this area is of significant interest to global financial communities, APP's customers, and various NGOs and CSOs. The consistency in implementing SRV 2030 for decarbonization is noteworthy. The company's efforts to accelerate its carbon footprint reduction and embark on offsetting strategies are commendable. This combination will benefit not only the company but also the surrounding communities.

In summary, I'd like to congratulate APP for its robust strategies and consistent implementation over its 50-year history. The positive feedback from partners, both in this room and on the ground, is a testament to the company's effective approach. Thank you for giving me the opportunity to provide these observations.