

APP Mills Obtain PEFC Chain-of-Custody Certification

Assuring customers of the legal and non-controversial origins of the fiber used in their paper products is essential to global companies such as APP Indonesia. In addition to the integrity of its own stringent legal-origin-verification and chain-of-custody protocols, APP offers its customers the added assurance of independent certification of compliance with the credible, third-party chain-of-custody criteria set by PEFC (Programme for the Endorsement of Forest Certification Schemes).

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 balance economic, social, and environmental concerns related to the commercial use of forests. With about 30 endorsed national certification systems and more than 220 million hectares of certified forests, PEFC is the world's largest forest certification system.

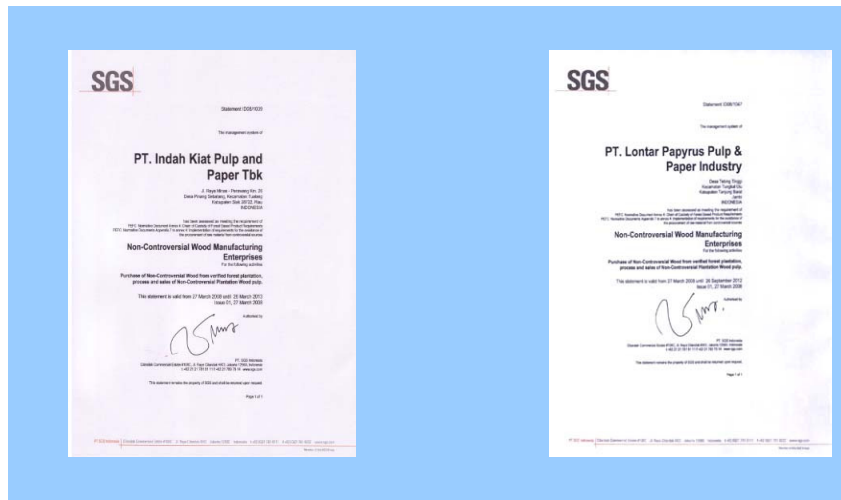
To date, four of APP's paper mills (Tjiwi Kimia, Pindo Deli, Indah Kiat Serang, and Indah Kiat Tangerang) have earned Chain-of-Custody (C-o-C) certification according to the PEFC standard. This certification signifies that these mills can make credible claims on the content of PEFC certified fibers in their products coming from sustainably-managed forest.



PEFC CoC Certificates for APP mills

Other certifications

APP has also introduced procedures for avoidance of raw material from controversial sources at both APP's pulp mills in Sumatra, operating under Indah Kiat Pulp and Paper (Perawang Mill) and Lontar Papyrus Pulp and Paper Industry, which have been verified by an independent third party certification body in order to provide confidence that no illegal or controversial wood enters the mills' fiber supply chain.



Independent, third-party verification that Indah Kiat Perawang and Lontar Papyrus pulp mills implemented procedures for avoidance of raw material from controversial sources

PEFC logo

To bear the PEFC logo, a product must contain 70% minimum of PEFC-certified virgin fiber with the balance of the material in the product coming from verified non-controversial sources. To make its PEFC-certified products, APP's mills blend PEFC-certified long-fiber pulp from world sources with verified non-controversial material. The range of products that ultimately will bear the PEFC logo varies by mill and will be dependent upon the mix of fiber in each product.

Some of the products made at Tjiwi Kimia paper mill will bear the PEFC's new "recycled product" logo. Recycled product certification is a relatively new category of the PEFC scheme, and is part of the organization's campaign to promote the value of recycling in addition to sustainable forest management. To be eligible to bear the PEFC recycled label, products must contain PEFC recycled raw material or combination of PEFC recycled raw material and PEFC certified virgin fibers exceeding 70% minimum. One of Tjiwi Kimia products that will bear this logo is art paper product, which will contain 30% PEFC recycled raw material and at least 40 % of PEFC certified virgin fibers.

APP engaged Société Générale de Surveillance (SGS) to conduct its PEFC Chain-of-Custody certification audits. The Geneva-based company is one of the world's leading inspection,

verification, testing, and certification companies, and is recognized as a global benchmark for quality and integrity.

SGS also has conducted annual assessments of APP's proprietary Legal Origin Verification and Chain-of-Custody systems against the criteria and indicators of the 2007 Indonesian Ecolabeling Institute (LEI) Standard for wood fiber and raw material. These yearly, independent third party audits verify the integrity of APP's "forest-to-mill-gate" protocols, which ensure that the procured fiber in the field is the same fiber delivered to the mill and that no illegally sourced fiber enters the supply chain.

| Mill | Classification | Scope | First Achieved |
|---|------------------|--|----------------|
| PT. Pindo Deli Pulp and Paper Mills | Chain of Custody | <ul style="list-style-type: none"> - carbonless paper - uncoated paper - cast-coated paper and board - art paper and board - tissue | February 2008 |
| PT. Indah Kiat Pulp and Paper Tbk -Serang Mill | Chain of Custody | <ul style="list-style-type: none"> - ivory board - manila board | May 2008 |
| PT. Indah Kiat Pulp and Paper Tbk -Tangerang Mill | Chain of Custody | all products | May 2008 |
| PT. Pabrik Kertas Tjiwi Kimia | Chain of Custody | <ul style="list-style-type: none"> - art paper - art board - wood free paper - PPC - special paper - stationary product - office product - shopping bag and gift wrapping product - printing binding book product | January 2008 |

Scope of PEFC certification for APP mills

In addition, in December 2007, SGS evaluated APP's fiber suppliers in Riau and Jambi against agreed-upon criteria of the SGS "Timber Legality and Traceability Verification" (TLTV) Programme. The assessment was conducted to benchmark the company's performance against the TLTV standard and to identify potential areas of improvement for APP's fiber suppliers as they work toward their goal of obtaining full TLTV Verification in the near future.

Jakarta, August 12, 2008

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Stakeholder Update

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