Asia Pulp and Paper (APP) is one of the world’s largest fully integrated pulp & paper companies, and accounts for more than half of Indonesia’s total pulp capacity. APP’s pulp and paper mills have fuelled massive deforestation, peatland drainage and social conflicts across its 38 supplier concessions covering 2.6 million hectares. APP’s OKI Pulp & Paper Mill, just now coming on-line in South Sumatra, is fanning fresh social and environmental land conflict risks as APP moves to secure increased plantation wood-supply to feed the new mega-mill.

**COMPANY PROFILE & SUSTAINABILITY COMMITMENTS**

**CEO**
Tjie Goan Oei
Sinar Mas Group

**PARENT COMPANY**

**MARKET CAP (USD)**

**ANNUAL REVENUE (USD)**

**HEADQUARTERS**
China

| LANDBANK (HA) | 2.6 million ha |
| NDPE POLICY | Yes |

**FOREST RISK COMMODITIES**
Pulp and paper

**SUPPLY CHAIN EXPOSURE**

**AFFECTED TROPICAL FOREST AREAS**

**RELEVANT SUBSIDIARIES**
PT OKI Pulp & Paper Mills
PT Bangun Rimba Sejahtera (PT BRS)
PT.Bumi Andalas Permai (PT BAP)

**KNOWN BUSINESS RELATIONSHIPS**
Joint Venture Partner: Itochu (APP Japan)
Other Buyers: Marubeni, Askul, Staples, Barnes & Nobles, Acer, Parragon, PaperlinX, Ventix

**THIRD PARTY VERIFICATION**
Partial – reliance on PEFC and SVLK

**TRACEABILITY**
Weak

**TRANSPARENCY**
Partial – some concession-related ESG data not public

**INVESTORS AND FINANCIERS**

**BOND AND SHAREHOLDINGS IN SINAR MAS GROUP**
704 MILLION USD
(MAY 2017, FOREST-RISK SECTOR ADJUSTED, INSTITUTIONAL INVESTORS ONLY)*

**LOANS & UNDERWRITING TO SINAR MAS GROUP**
7,747 MILLION USD
(2010 - 2016, FOREST-RISK SECTOR ADJUSTED)*

*Forest-sector adjusted financing at group company level. See methodology note on summary page.

**SOURCES:** EXPLORE THE DATA | forestsandfinance.org
HUMAN RIGHTS
» An independent evaluation in 2014–15 found hundreds of community land tenure disputes and social conflicts across APP’s supplier concessions (Rainforest Alliance, 2015). The majority of these conflicts remain un-resolved as of 2017 (APP, 2017), in contravention of its 2013 Forest Conservation Policy (APP, 2013), which includes commitments to respect the rights of indigenous peoples and local communities, to uphold FPIC and to resolve social conflicts.

» Local communities in West Bangka Regency in Sumatra are currently protesting plans to develop the 66,000 ha PT Bangun Rimba Sejahtera (BRS) industrial plantation concession to supply the new OKI mega-mill. 100,000 people from 40 communities live in or adjacent to the BRS concession, much of which is customary land claimed by local communities and the main basis of their livelihoods (HaKI, 2017 & RAN, 2017).

» Pulp plantations provide few jobs relative to the large land area they occupy. In 2014, for example, APP reported that it only employed 1 worker on average per every 614 hectares of pulpwood plantations across its holdings (Joint NGO report, 2016).

CLIMATE AND BIODIVERSITY
» Nearly a quarter of APP’s landbank (600,000 ha) is on peat (Mongabay, 2017). Oxidation of drained peatlands in Sinar Mas Group (SMG)/APP concession areas contributes 25–33 million tons of CO2e to the atmosphere each year (Joint NGO report, 2016). In August 2015, APP made a commitment to set aside 7,000 ha of natural forest throughout its supply chain. The OKI mega-mill development raises concerns on APP’s ability to meet its FCP and zero deforestation commitments under its Sustainability Roadmap Vision 2020 (APP, 2013 & Joint NGO report, 2016).

GOVERNANCE
» APP was disassociated by FSC in 2007 “because of substantial, publicly available information that APP was involved in destructive forestry practices, which brought it into conflict with the FSC mission.” (FSC, 2007).

» APP’s 2013 Forest Conservation Policy (FCP) committed the company to immediately end all natural forest clearance through its supply chain. The OKI mega-mill development raises concerns on APP’s ability to meet its FCP and zero deforestation commitments under its Sustainability Roadmap Vision 2020 (APP, 2013 & Joint NGO report, 2016).

» APP has developed an online platform to track its implementation of its FCP. However, it has been selective in its transparency particularly in relation to land conflict, peatland maps and other ecological attributes of concessions such as natural forest cover.

» Development on peat risks violation of Indonesia’s new peat regulations (Joint NGO report, 2016). Following the 2015 fire and haze crisis, two of APP’s suppliers have been accused of replanting burned peatlands with acacia, running counter to the Indonesian Government’s edict (Mongabay, 2016).

» APP faces increased pest and disease pressure and declining yields with each rotation of its fast-growing Acacia industrial plantations, as well as increasing subsidence and exhaustion of peat soils, raising significant concerns over the ecological sustainability of the company’s mid and long term fiber supply and accuracy of its wood supply calculations.

» APP has a certificate for Sustainable Product Forest Management under the Indonesian Timber Legality Assurance System (SVLK). However, these certificates do not guarantee legality (RAN, 2015). At least two of APP’s reported 38 first tier wood suppliers have PEFC certification (Greenpeace & RAN, 2015 & WWF, 2013). Serious questions have been raised about the quality of assurance provided by the PEFC system.

» In February 2017, PT BAP, a subsidiary of APP Group in South Sumatra, violated a ban on replanting on burnt peatlands (Forest Hints, 2017).

For critically endangered Sumatran tigers, elephants and orangutans (WWF, 2013).

Note: for the full reference list, see the original report ‘Every Investor Has A Responsibility’