

ASIA PULP AND PAPER GROUP



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	FOREST RISK COMMODITIES	Pulp and paper
PARENT COMPANY	Sinar Mas Group	SUPPLY CHAIN EXPOSURE	Plantations, processing, manufacturing, wholesale
MARKET CAP (USD)	PT Indah Kiat P&P (INKPJ) – 543 mil. (FI.com) PT Pabrik Kertas Tjiwi Kimia (TKIMJ) – 205 mil. (FI.com)	AFFECTED TROPICAL FOREST AREAS	Indonesia
ANNUAL REVENUE (USD)	PT Indah Kiat P&P – FY2015 2.8 bil. (FI.com) Pabrik Kertas Tjiwi Kimia – FY2015 1 bil. (FI.com)	RELEVANT SUBSIDIARIES	PT OKI Pulp & Paper Mills PT Bangun Rimba Sejahtera (PT BRS) PT.Bumi Andalas Permai (PT BAP)
HEADQUARTERS	China	KNOWN BUSINESS RELATIONSHIPS	Joint Venture Partner: Itochu (APP Japan) Other Buyers: Marubeni, Askul, Staples, Barnes & Nobles, Acer, Parragon, PaperlinX, Veritix
LANDBANK (HA)	2.6 million ha		
NDPE POLICY	Yes		
THIRD PARTY VERIFICATION	Partial – reliance on PEFC and SVLK		
TRACEABILITY	Weak		
TRANSPARENCY	Partial – some concession-related ESG data not public		

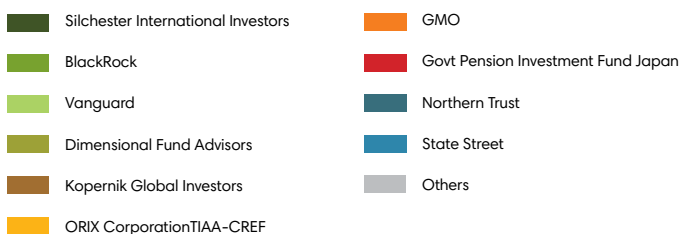
INVESTORS AND FINANCIERS



BOND AND SHAREHOLDINGS IN SINAR MAS GROUP

704 MILLION USD

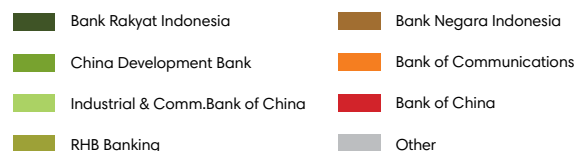
(MAY 2017, FOREST-RISK SECTOR ADJUSTED, INSTITUTIONAL INVESTORS ONLY)*



LOANS & UNDERWRITING TO SINAR MAS GROUP

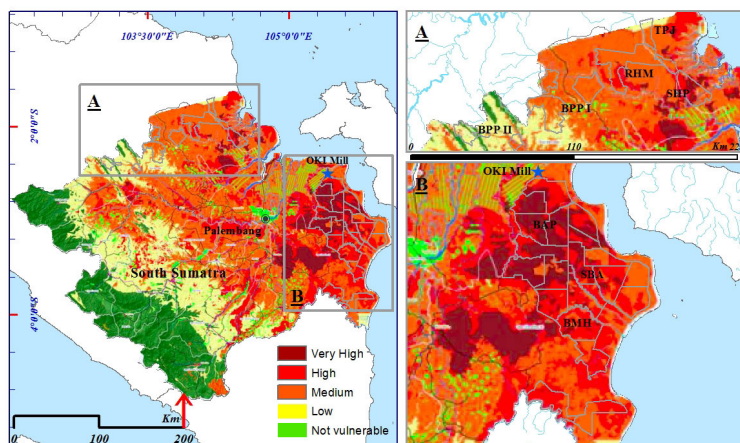
7,747 MILLION USD

(2010 - 2016, FOREST-RISK SECTOR ADJUSTED)*



SOURCE: 'EXPLORE THE DATA' | forestsandfinance.org

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



BAP	PT Bumi Andalas Permai (192,700) ha
BMH	PT Bumi Mekar Hijua (250,370) ha
BPP I	PT Bumi Persada Permai I (60,433) ha
BPP II	PT Bumi Persada Permai II (24,050) ha
RHM	PT Rimba Hutani Mas (67,100) ha
SHP	PT Sumber Hijua Permai (30,040) ha
TPJ	PT Tri Pupajaya (21,995) ha
SBA	PT SBA Wood Industries (110,373) ha

Boundaries of Sinar Mas/APP concessions onto fire risk map of South Sumatra
 Provincial Forestry Department
 SOURCE: [JOINT NGO REPORT, 2016](#)

ESG PERFORMANCE

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 of 7,000 ha of peatlands for restoration in Riau and South Sumatra, yet this area represents around 1 percent of APP's holdings in peat ([RAN, 2016](#)).
- » 77% of the concession areas intended to supply the OKI mega-mill are located on peat.
- » 37% of high confidence fire hotspots in 2015 in Sumatra were found in SMG/APP supplier concessions ([Joint NGO report, 2016](#)). Fires in SMG/APP supplier concessions contributed an estimated 11.3% (200 Mt CO₂e) of Indonesia's total fire-related emissions in 2015, equivalent to the annual GHG emissions of 58 coal-fired power plants ([Joint NGO report, 2016](#) & [UCS](#)).
- » APP's Sumatra based pulp mills have caused the deforestation of more than 2 million ha, including large areas of rainforest habitat

for critically endangered Sumatran tigers, elephants and orang-utans ([WWF, 2013](#)).

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 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](#)).
- » 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](#)).

Note: for the full reference list, see the original report '[Every Investor Has A Responsibility](#)'