

Asia Pulp and Paper (APP) Indonesia

Sectors: Pulp, Paper and Paperboard Mills

Active

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Created before Nov 2016

Last update: **Mar 22 2022**

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Sector	Pulp, Paper and Paperboard Mills
Headquarters	
Ownership	APP is part of the Sinar Mas Group , a large conglomerate with interests in forestry, coal mining, palm oil and banks. Sinar Mas is owned by its founder Eka Tjipta Widjaja.
Subsidiaries	Ekamas Fortuna – Indonesia Lontar Papyrus Pulp & Paper Industry – Indonesia Paper Excellence – Canada Pindo Deli Pulp & Paper Mills – Indonesia Power Construction Corporation of China – China Tjiwi Kimia Paper Factory – Indonesia Univenus – Indonesia
Website	

About Asia Pulp and Paper (APP)

Asia Pulp and Paper (APP) is the pulp and paper subsidiary of the [Sinar Mas Group](#), one of the largest conglomerates in Indonesia. Sinar Mas mainly operates in the pulp and paper and palm oil sectors, but also has operations in real estate, financial services, agribusiness, telecommunications and mining. APP is [one of the largest](#) pulp and paper companies in the world, with an annual combined pulp, paper, packaging production, and conversion capacity of [over 19 million tons](#). It has operations in Indonesia, China, Canada and Brazil. APP's products include bleached hardwood pulp, stationery, printing and graphics papers, tissue, paper towels, shopping bags, packaging, and converted products.

APP is related to Paper Excellence, a paper conglomerate outside Sinar Mas owned by the same family who owns the Sinar Mas Group, the Widjaja family. This is a billionaire family that has investments in a wide range of sectors in Indonesia. Paper Excellence has pursued an aggressive strategy of expansion by acquisition in recent years. For a full list of APP and Sinar Mas companies, suppliers, paper brands and acquisitions, see [here](#).

Latest developments

Indonesian paper giant APP takes over North American Domtar

Jul 29 2021

Why this profile?

Asia Pulp and Paper (APP) is part of a nebula of companies linked by [a complicated and opaque corporate structure](#), which makes it difficult to hold it accountable for human rights violations and environmental impacts. Some of these companies are included in the Sinar Mas conglomerate, while some are formally independent but still controlled by the Widjaja family and operating with a single commercial strategy. Several of the corporate associations of these companies are purposely kept hidden, possibly for commercial or fiscal reasons, but also to deny links with deforestation or to keep using the FSC certification after having been banned by that standard.

The name APP has been long associated with massive [deforestation](#), human rights abuses, harassment of local communities, and massive emissions of greenhouse gasses. APP is considered one of the main companies responsible for the current haze crisis in Indonesia. In 2013, APP announced a new policy, promising that it would no longer cut down natural forests in Indonesia and that it would engage more with local communities. However, the company has since defaulted on these commitments and even intensified the use of illegal encroachment and intimidation tactics against villages.

What must happen

Banks and other financial institutions should not provide any new financing for APP, its brands and/or affiliated companies, and should divest of any investments in the company, until it is proven and verified that it has made meaningful changes across its business operations. Buyers and investors should avoid brands and papers linked to APP, Sinar Mas, Paper Excellence and their sister companies controlled by the Widjaja family.

Impacts

Social and human rights impacts

Land conflicts and displacement of communities

APP has a well-documented legacy of adverse social and environmental impacts associated with its operations. APP's expansion and land-grabbing has created [hundreds of conflicts](#), a few of them managed with [brutal violence](#). The company has also had [child labour found in its supply chain](#).

In February 2013, after widespread public criticism of the company, community opposition and pressure from customers and investors, APP released a [Forest Conservation Policy](#) that, along with other public commitments made by the company between 2012-2014, set out the company's intention to reform its practices and address its legacy of destruction and conflict. In January 2014, APP announced that the Rainforest Alliance would conduct an independent evaluation of the company's performance in implementing its social and environmental commitments.

Unfortunately, there has been little change for communities embroiled in land disputes with the company. A 2019 [report](#) by a coalition of Indonesian organizations and the Environmental Paper Network found APP to be involved in hundreds of conflicts with communities across the Indonesian regions of Sumatra and Kalimantan. In just five provinces in Indonesia (Riau, Jambi, South Sumatra, West Kalimantan and East Kalimantan), at least 107 villages or communities are in active conflict with APP affiliates or its suppliers. Some of the social conflicts are related to disputes about customary lands, livelihoods and subsistence crops, eviction, disputes about compensation, violence and criminalization, the lack of Free, Prior and Informed Consent (FPIC) for the development of pulp plantations and other activities, among others.

APP has been warned of the failings of its Forest Conservation Policy consistently by civil society since it was introduced. A 2015 Rainforest Alliance [report](#) confirmed that APP has made only moderate progress in completing a full inventory of the many conflicts that exist with communities, and developing action plans and priorities. A joint civil society submission to Rainforest Alliance the same year concluded that [APP has failed to involve affected communities](#) and other key stakeholders in the identification, analysis and resolution of these conflicts.

Violence, intimidation, and killing of environmental activists

An October 2019 report, ["Conflict Plantations"](#) by Environmental Paper Network and others, reveals that in just five provinces in

Indonesia, at least 107 villages or communities are in active conflict with APP affiliates or its suppliers, and 544 villages were identified as sites of potential conflict, covering an area of more than 2.5 million hectares. This is equivalent to a financial risk assessed between USD 7.7 and 5.7 billion in social compensation risk.

In March 2015, two years after APP made a commitment to respect local communities' rights, Indra Pelani, a local farmer and activist, [was tortured and killed by security personnel](#) employed by an APP controlled supplier, PT. Wirakarya Sakti, at its concession in Jambi, Indonesia. APP called it an accident.

In the same concession in 2020, APP affiliate [PT. Wirakarya Sakti was accused](#) by villagers of using drones to spray herbicide to remove evidence of local communities cultivating the land. In order to claim the land, the company intimidated villagers by bringing security staff who shot into the air during data collection visits and used [SLAPP suits](#) to silence members of the local community. On April 26, company executives went to the local community gardens accompanied by an army officer who intimidated the villagers [by shooting in the air](#). Also [in 2020 similar tactics were used](#) by a different APP controlled company in the Riau province when an indigenous farmer was imprisoned and fined US\$ 13,800 (around 70 months' wages) for planting sweet potato on his customary land, which APP claimed.

Environmental and climate impacts

Lack of implementation of APP's Forest Conservation Policy

APP's [Forest Conservation Policy](#) (FCP), launched in 2013, included a commitment to zero deforestation, with an immediate moratorium on logging in natural forests and peatlands extended to all its suppliers. The company also committed to protect high conservation value (HCV) areas and high carbon stock (HCS) forests and recognized that indigenous and local communities may have customary rights to land, overlapping with its pulp plantations.

The new policy was cautiously welcomed by organisations including [Greenpeace](#), [WWF](#), and Rainforest Action Network, although many also noted that it arrived [when most of the forest in their concessions was already cleared](#).

Unfortunately, years after the new policy was issued, many problems remain unsolved, as illustrated below.

Deforestation and biodiversity loss

APP has long been associated with deforestation and biodiversity loss. For example, extensive deforestation was evidenced in investigations by [Eyes on the Forest](#), an Indonesian coalition of environmental NGOs, in [2008](#) and [2011](#).

Despite APP's Forest Conservation Policy, reports of forest clearing continue:

- In 2018 Greenpeace reported that since its Forest Conservation Policy was launched in 2013, almost 8,000 hectares of forest and peatland has been cleared in two concessions linked through ownership to APP and its parent company, the Sinar Mas Group.
- A 2019 report by WWF and others found [APP sourcing wood from plantation companies involved in deforestation](#) including PT Fajar Surya Swadaya, an East Kalimantan company that has cleared nearly 20,000 hectares of natural forest since 2013.
- In 2019 APP acknowledged ownership and supply chain linkages with companies previously described as "independent", including companies involved in deforestation, peatland destruction and fires.
- A June 2020 Greenpeace report shows evidence APP and linked companies have cleared 3,500 hectares of peatland between 2018 and 2020, including since the outbreak of the COVID-19 virus.

[Forest Stewardship Council \(FSC\) disassociated from APP in 2007](#) "because of substantial, publicly available information that APP was involved in destructive forestry practices and was thus in violation of the Policy for Association." [APP expressed its interest in re-entering the FSC system](#), but the FSC suspended the process in 2018 "while it awaits further information from APP related to its corporate structure and alleged unacceptable forest management activities by companies thought to be related to APP."

Greenhouse emissions

Peatlands are known for being the most efficient carbon sink on the planet and therefore critically important for preventing climate change. Around [50 billion tonnes of carbon](#) is locked up in Indonesia's peat bogs. Drained and dried peatlands – on which the pulp and paper industry in Indonesia has extensive tree plantations – are therefore particularly [high sources of greenhouse gas \(GHG\) emissions](#) due to its oxidation and increased susceptibility to burning. Approximately 50% of APP's pulpwood suppliers' concessions are on peatland. APP was found actively clearing [3,500 hectares of Sumatran peatland for pulpwood plantations](#) between August 2018 and June 2020, and digging 53km of drainage canals, in direct breach of its own commitments to preserve and restore carbon-rich ecosystems and reduce emissions.

Pulp wood plantations on peatlands extend to around 1.1 million hectares (check if in Indonesia), and of this, approximately 600,000 hectares of plantation area is managed by APP's supplier companies. These plantations on peat soil in Indonesia release more than 80

million tonnes of CO2 every year, of which [APP is responsible for almost 44 million tonnes](#).

Forest fires

The development of plantations is a major cause of Indonesia's forest and peatland fires. The October 2019 report [Perpetual Haze](#) highlights the role of Indonesia's pulp industry in recurring fire and haze episodes affecting the Southeast Asian region.

APP has been actively clearing Sumatran peatland for pulpwood plantations. An analysis of satellite imagery by Greenpeace proves that between August 2018 and June 2020, around [3,500 hectares of peatland were destroyed](#) in three concessions that are either owned by APP, or by its major suppliers, and 50 hectares burned in late June on one of these concessions. The 2019 Indonesian fires have emitted at least [708 million tons of greenhouse gases](#) into the atmosphere, almost double the carbon of the Amazon fires in the same year. Many of those fires emerged in pulpwood plantations, and of the eight worst-affected plantations in terms of the number of fire alerts, [six supply APP](#).

This event followed the fire and haze crisis of 2015 in Indonesia, for which APP was identified as one of the top companies responsible, burning 2.6 million hectares of plantations, forests, and peatlands throughout Sumatra, Kalimantan, and Papua. An estimated [1.75 billion tonnes of carbon dioxide equivalent](#) was released in just a few months, more than Germany's or Japan's total annual emissions. Daily emissions during the peak weeks of the fires exceeded the daily fossil fuel emissions of the entire USA economy. The fires created a smoke and haze crisis affecting all of South East Asia, triggering national emergencies across Indonesia and into Singapore, Malaysia and other countries, resulting in [diplomatic tensions](#) between Indonesia and its neighboring countries. The human cost was terrible: 19 people died and an estimated [500,000 cases of respiratory tract infections](#) were reported at the time of the fires. It is estimated that the fires led to more than [100,000 premature deaths](#) in the region. A public health study estimated that 91,600 people in Indonesia, 6,500 in Malaysia, and 2,200 in Singapore [may have died prematurely in 2015](#) because of exposure to fine particle pollution. The economic cost of the fires was calculated at around [USD 16 billion](#) (IDR 221 trillion), equivalent to 1.9 percent of Indonesia's gross domestic product.

Other impacts

Governance

Bank policies

The following bank investment policies apply to this project:

Bank of China

Corporate Social Responsibility Policy

May 3 2018 | Bank of China Hong Kong

Sustainability Policy

Nov 3 2020 | Bank of China Hong Kong

Environmental policy

Apr 1 2019 | Bank of China Hong Kong

Bank Negara Indonesia (BNI)

Sustainability policy

(page 38 of 2020 CSR report)

Jul 20 2021 | BNI

Environmental, social and governance risk management

(page 52 of 2020 CSR report)

Jul 20 2021 | BNI

Risk Management Policy

Jan 20 2020 | Bank Negara Indonesia

Environmental policy

(page 80 of 2020 CSR report)

Jul 20 2021 | BNI

Maybank

Code of ethics & conduct

Jul 11 2017 | Maybank Group

Sustainability statement

Mar 11 2019 | Maybank

In 2007, Forest Stewardship Council (FSC) had “[dissociated](#)” itself from APP, citing “substantial publicly available information that suggests that APP is associated with destructive forestry practices.”

On August 16, after opening to design a roadmap to end its disassociation with APP, FSC announced its decision to [suspend the process](#) it had started in early 2017 and awaits “further information from APP related to its corporate structure and alleged unacceptable forest management activities by companies thought to be related to APP”.

Applicable norms and standards

FSC Principles and Criteria

Other applicable regulations

Four investigations into APP pulpwood suppliers are under way in Singapore under the Transboundary Haze Pollution Action (THPA). Indonesian governmental regulations indicate that in order to prevent fires, peat must be protected and restored. APP already had problems of legal compliance on this, and is likely to have more in the future due to its expansion plans.

Updates

Indonesian paper giant APP takes over North American Domtar

Jul 29 2021

For the pulp and paper industry, it is the take-over of the decade. [Domtar shareholders decided](#) to sell their shares to Paper Excellence and delivered the major North American uncoated freesheet paper producer (with 21 manufacturing facilities around the world, 6,400 employees, and customers in 50 countries) to one of the most controversial paper companies of the world, the notorious Indonesian Asia Pulp & Paper (APP). Read more [here](#).

Tensions around APP increase - local communities and CSOs fear APP is going back to its original attitude

Jul 23 2020

Indigenous and local communities have been facing recurrent acts of intimidation, criminalisation and episodes of violence have escalated, contributing to a climate of insecurity and constant threat. Since the beginning of this year, APP and associated companies have been involved in several severe incidents:

- A critically endangered Sumatran tiger [was found dead](#) in the PT Arara Abadi concession. These severely endangered animals are expelled from their natural habitat, converted in to plantations, and get in contact with humans (and as a result, both tigers and humans are killed).
- The [use of SLAPP suits](#) to silence members of the local communities.
- The [destruction of community food resources](#) in the middle of the COvid-19 crisis using drones.
- [Intimidation of local community](#) by executives of APP's supplier who brought an army officer to the villages.

In response to this, local and international organisation [sent an open letter](#) to APP's buyers and investors, urging them to take action. This was followed by an official statement of APP to customers and business, dying the severe impacts. Local communities therefore published a [chronology](#) of the company's misbehaviour, showing APP's misconduct.

On top of that, Greenpeace [recently published prove](#) that APP destroyed around 3,500ha of peatland and fuelled forest fires in Indonesia.

Forest Stewardship Council announces its decision to suspend the process it had started with APP

Aug 16 2018

On August 16 2018, after opening to design a roadmap to end its disassociation with APP, FSC announced its decision to [suspend the process](#) it had started in early 2017 and awaits "further information from APP related to its corporate structure and alleged unacceptable forest management activities by companies thought to be related to APP".

Greenpeace slams APP/Sinar Mas over links to deforestation, ends all engagement with company

May 31 2018

In May 2018 Greenpeace ended its longstanding engagement with APP, following a new mapping analysis that found almost 8,000 hectares of forest and peatland has been cleared since 2013 in two concessions which are linked to APP and its parent company the Sinar Mas Group. Greenpeace International put these [allegations](#) to APP/Sinar Mas, and the group failed to provide a credible response or to take meaningful action. [Read more here](#).

NGOs publish Performance Verification Criteria and Indicators

Dec 31 2017

In December 2017, various NGOs published a new document, [Evaluating the Environmental, Social and Corporate Governance Performance of Sinar Mas Group \(SMG\) and Royal Golden Eagle \(RGE\) Companies Criteria and Indicators for Assessing and Verifying Performance](#) to set specific measurable performance requirements and independently verify the on-the-ground performance of APP, APRIL and affiliates. These Performance Verification Criteria and Indicators have been developed to provide a clear framework for APP/Sinar Mas and the APRIL/Royal Golden Eagle groups to be measured against, so that companies and other stakeholders can.

Companies Criteria and Indicators for Assessing and Verifying Performance

Dec 16 2017

In December 2017, various NGOs published a new document, [Evaluating the Environmental, Social and Corporate Governance Performance of Sinar Mas Group \(SMG\) and Royal Golden Eagle \(RGE\) Companies Criteria and Indicators for Assessing and Verifying Performance](#) to set specific measurable performance requirements and independently verify the on-the-ground performance of APP, APRIL and affiliates. These Performance Verification Criteria and Indicators have been developed to provide a clear framework for APP/Sinar Mas and the APRIL/Royal Golden Eagle groups to be measured against, so that companies and other stakeholders can adequately evaluate performance. In addition, these Criteria and Indicators will inform the critical Forest Stewardship Council process of developing "Roadmaps" toward a possible reversal of their disassociation of APP and APRIL.

Will Asia Pulp & Paper default on its “zero deforestation” commitment?

Apr 30 2016

[This study](#), published by twelve international and Indonesian NGOs, showed that in spite of its high-profile sustainability commitments, Asia Pulp & Paper (APP) is building one of the world's largest pulp mills in the Indonesian province of South Sumatra without a sustainable wood supply. The USD2.6 billion OKI Pulp & Paper Mills project will expand APP's wood demand by over 50%, with much of this coming from plantations on high-carbon peatlands.

Following forum in Jakarta, NGOs send letter to Asia Pulp & Paper urging reform

Oct 8 2015

A group of NGOs sent a letter to Asia Pulp and Paper Director, Linda Wijaya, after a stakeholder engagement forum in Jakarta on October 5th. At the forum, APP presented information on how it is attempting to implement its Forest Conservation Policy and associated plans. NGOs raised the issues contained in this letter and sought assurances from APP that it will increase its efforts to quickly reform its structures and practices. [Read more here](#).

Forest Stewardship Council dissociates itself from APP

Oct 31 2007

In October 2007, Forest Stewardship Council (FSC) announces it has [dissociated](#) itself from APP, citing “substantial publicly available information that suggests that APP is associated with destructive forestry practices.”

Financiers

Financial institutions have financed Sinar Mas, of which Asia Pulp and Paper is a subsidiary, via corporate loans, revolving credit facilities, bond and share issuances and shareholding. See below for a specified overview of financial institutions involved (source [Forests and Finance Database](#)).

In July 2021, Paper Excellence received [a debt commitment letter](#) from financial institutions ([Barclays](#), [Credit Suisse](#) and [Bank of Montreal](#)) for the commitment of an aggregate of USD 1.95 billion of financing. The proceeds of this financing are expected to be used to consummate the acquisition of Domtar by Paper Excellence and other transactions contemplated by that acquisition.

Banks

[Agricultural Bank of China](#) China [profile](#)

[Details](#) ▼

Bond issue – underwriter USD 237.50 million 2018

source: [Forests and Finance Database](#)

[link](#)

[Bank Central Asia](#) Indonesia [profile](#)

[Details](#) ▼

Debt – corporate loan USD 3.76 million 2017

source: [Forests and Finance Database](#)

[link](#)

Debt – corporate loan USD 11.15 million 2017

source: [Forests and Finance Database](#)

[link](#)

[Bank Negara Indonesia](#) Indonesia [profile](#)

[Details](#) ▼

Debt – corporate loan USD 92 million 2017

source: [Forests and Finance Database](#)

[link](#)

Bank Rakyat Indonesia - BRI Indonesia [profile](#)

Details ▼

Debt – corporate loan USD 253 million 2021
source: [link](#)

Debt – corporate loan USD 85 million 2017
source: Forests and Finance Database
[link](#)

Debt – corporate loan USD 40 million 2017
source: Forests and Finance Database
[link](#)

Debt – corporate loan USD 14.68 million 2017
source: Forests and Finance Database
[link](#)

Debt – corporate loan USD 130 million 2017
source: Forests and Finance Database
[link](#)

Debt – corporate loan USD 70 million 2016
source: Forests and Finance Database
[link](#)

CIMB Indonesia [profile](#)

Details ▼

Debt – corporate loan USD 35 million 2018
source: Forests and Finance Database
[link](#)

Debt – corporate loan USD 11 million 2018
source: Forests and Finance Database
[link](#)

China Construction Bank China [profile](#)

Details ▼

Bond issue – underwriter USD 26.41 million 2018
source: Forests and Finance Database
[link](#)

Bond issue – underwriter USD 28.73 million 2017
source: Forests and Finance Database
[link](#)

Debt – corporate loan USD 30 million 2017
source: Forests and Finance Database
[link](#)

China Minsheng Bank China [profile](#)

Details ▼

Bond issue – underwriter USD 22.8 million 2017
source: Forests and Finance Database
[link](#)

Hua Xia Bank China [profile](#)

Details ▼

Bond issue – underwriter <i>source:</i> Forests and Finance Database link	USD 76.96 million	2018
Bond issue – underwriter <i>source:</i> Forests and Finance Database link	USD 75.89 million	2017
Industrial and Commercial Bank of China (ICBC) China profile Details ▼		
Bond issue – underwriter <i>source:</i> Forests and Finance Database link	USD 237.5 million	2018
Bond issue – underwriter <i>source:</i> Forests and Finance Database link	USD 27.21 million	2017
Maybank Malaysia Malaysia profile Details ▼		
Debt – corporate loan <i>source:</i> Forests and Finance Database link	USD 70 million	2017
Overseas-Chinese Banking Corporation Details ▼		
Bond issue – underwriter <i>source:</i> Forests and Finance Database link	USD 113.26 million	2018

Investment funds

Blackrock Advisors Details ▼		
Equity – share owner/manager <i>source:</i> Forests and Finance Database link	USD 100.64 million	2018
Dimensional Fund Advisers - DFA Details ▼		
Equity – share owner/manager <i>source:</i> Forests and Finance Database link	USD 151.21 million	2018
Vanguard Group Details ▼		
Equity – share owner/manager <i>source:</i> Forests and Finance Database link	USD 36.74 million	2018
Equity – share owner/manager <i>source:</i> Forests and Finance Database link	USD 88.56 million	2018

Related Dodgy Deals