

# Asia Pulp and Paper (APP) Indonesia

**Sectors:** forestry - pulp and paper

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**By:** Environmental Paper Network

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## About Asia Pulp and Paper (APP)

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Commonly, APP is considered as the pulp and paper subsidiary of the [Sinar Mas Group](#), one of the largest conglomerates in Indonesia, dealing with Palm Oil and Pulp and Paper sectors, also operates in Real Estate, Financial Services, Agribusiness, Telecommunications and Mining. Asia Pulp and Paper (APP) is [one of the largest](#) pulp and paper companies in the world, with an annual combined pulp, paper, packaging product and converting capacity of [over 19 million tons](#), with operations in Indonesia, China, Canada and Brazil.

APP's products include bleached hardwood pulp, stationary, printing and graphics papers, tissue, paper towels, shopping bags, packaging, and converted products.

APP's first paper mill, Tjiwi Kimia, [started production in 1978](#). This was followed by the 1986 acquisition of the pulp and paper producer [Indah Kiat](#). The group also includes the company Paper Excellence, a paper conglomerate outside Sinar Mas, but owned by the Widjaya family. 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, please see [here](#).

<b>Headquarters</b>	BII Plaza, 2nd Tower, 15th & 18th Fl, Jl. MH. Thamrin No. 51 10350 Jakarta Indonesia
<b>CEO/chair</b>	Teguh Ganda Wijaya CEO
<b>Website</b>	<a href="http://www.asiapulppaper.com/">http://www.asiapulppaper.com/</a>
<b>Ownership</b>	APP is part of the <a href="#">Sinar Mas Group</a> , a large conglomerate with interests in forestry, coal mining, palm oil and banks. Sinar Mas is owned by its founder Eka Tjipta Widjaja.
<b>Subsidiaries</b>	<a href="#">Ekamas Fortuna</a> – Indonesia <a href="#">Lontar Papyrus Pulp &amp; Paper Industry</a> – Indonesia <a href="#">Paper Excellence</a> – Canada <a href="#">Pindo Deli Pulp &amp; Paper Mills</a> – Indonesia <a href="#">Power Construction Corporation of China</a> – China <a href="#">Tjiwi Kimia Paper Factory</a> – Indonesia <a href="#">Univenus</a> – Indonesia

## Issues

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### Social issues

APP has a well-documented legacy of adverse social and environmental impacts associated with its operations. APP expansion and land-grabbing on local communities created [hundreds of conflicts](#), a few of them managed with [brutal violence](#). 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 (RA) 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. Hundreds of land conflicts remain and APP has [failed to involve affected communities and other key stakeholders in the identification, analysis and resolution of these conflicts](#). The 2015 Rainforest Alliance [report](#) confirmed that APP has made moderate progress in completing a full inventory of the many conflicts that exist with communities, and developing action plans and priorities. In March 2015 [a local farmer and activist in an APP concession was murdered](#) in Jambi, Indonesia.

### Environmental issues

**Lack of sustainable fibre supply** In the past years, APP has expanded dramatically its production capacity, far beyond its capacity to produce wood fibre from sustainable sources, putting a substantial threat to its capacity to properly implement its own commitments. In 2017 the new giant mill OKI in South Sumatra started its operation adding 3.2 million tonnes pulp to APP's production. The company even plans a **new 5 million tonnes** per year pulp and paper mill in India that has been reported by local media. **NGOs criticized APP** for expanding its paper production well beyond the capacity of its suppliers plantations to support the production, questioning the real intention of the company to keep its commitments. Despite **APP insisting on having enough fibres** to feed its expansion of production capacity, in the last years the company kept expanding its suppliers. In 2018 APP added **17 new fibre suppliers** and as many fibre suppliers are in the process to be added.

**Deforestation** APP has been responsible for **more than two million hectares of deforestation**, including **key habitats of tiger, elephant and orang-utan**. APP/Sinar Mas Group suppliers caused the loss of 1.4 million acres of tiger habitat between 1995 and 2008/09 in one study area alone.

Over the past two decades, these impacts led to local and international NGO campaigns seeking reform and the **cancellation of more than 100 business contracts** over these concerns. Companies that have announced discontinued or avoided sourcing from APP since 2000 include Adidas, Disney, Fuji, Gucci, Hasbro, Kraft, Lego, Levis, Marks & Spencer, Mattel, Nestlé, Office Depot, Scholastic, Tesco, Tiffany & Co., United Stationers, Unilever, Volkswagen, Wal-Mart, Woolworths, and Xerox.

**Lack of implementation of APP's Forest Conservation Policy** APP responded to years of sustained pressure to reform by adopting a new Forest Conservation Policy (FCP) and a commitment to zero deforestation. In February 2013, after two decades of severe environmental conflicts, **and many high profile companies breaking their commercial ties with APP**, the company announced a new **Forest Conservation Policy**. Among other commitments, the policy extended an immediate moratorium on logging in natural forests and peatlands to all its suppliers. The company also committed to protect high conservation value areas and high carbon stock forests and recognized that indigenous and local communities may have customary rights to land, overlapping with its pulp plantations. APP's new policy was cautiously welcomed by many organisations like **Greenpeace, WWF** and Rainforest Action Network, but they also noted it arrived **when most of the forest was already cleared** and assured they will continue to monitor its implementation. They have suggested a set of **milestones** to assess whether APP effectively implements and adequately improves its policy commitments.

Unfortunately, years after the new policy was issued, many problems remain unresolved:

- **Deforestation** forest clearance continued to go on after the commitments in **APP suppliers protection areas**. Recently APP has been found by NGOs in sourcing by **plantation companies involved in deforestation** and being involved in deforestation as companies connected with APP/Sinar Mas **have cleared almost 8,000 hectares of forest and peatland**;
- **Greenhouse emissions** despite APP announcing removal and restoration projects on 7,000 hectares of plantations, this is just around one per cent of APP suppliers plantation on peat. The rest is still drained, **releasing 70-80 tonnes per year per hectare**. As a result, APP's plantations emit 43.8 million tonnes GHG, **nearly as much as Norwegian country emission, and as much as 33 low emitting countries combined**. In the past year, the company has been also **repeatedly sanctioned for violations** to the new peat legislation;
- **Forest fires** In autumn 2015 APP was identified as one of the top companies responsible for the fires occurring in Indonesia, 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 neighbouring 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.

## Human rights

APP suppliers and controlled wood-fibre producers expanded their plantations by expelling entire communities and villages, such as the case of Suluk Bongkal, where **300 villager's huts were burned**. Local sources reported a two-year-old died after she fell down a well during the confrontation, while a two-month-old baby died from burn injuries. Two other people suffered gunshot wounds.

A 2015 joint NGO submission **report** to the RA found that APP had not fully respected the right of communities affected by the proposed OKI Pulp and Paper mill to give or withhold their consent (Free Prior and Informed Consent). APP has already started construction of the mill, yet the company has not followed key elements of its own SOP/protocol relating to FPIC.

In March 2015, two years after APP's commitment to respect local communities rights, Indra Pelani, a local farmer and activist, **was tortured and killed by security personnel** employed by an APP concession in Jambi, Indonesia.

## Other issues

## Governance

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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".

## Updates

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

Aug 16 2018

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### 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.](#)

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### 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.

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### Companies Criteria and Indicators for Assessing and Verifying Performance

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### 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.

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### 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.](#)

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### 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.”

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## Financiers

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Updated information on financiers of APP and Sinar Mas is available on [forests and finance](#) (flagging "Sinar Mas Group").

### Banks

Agricultural Bank of China China [profile](#)

[Details](#) ▼

Uncategorised

<b>Bank of China</b> China <a href="#">profile</a>			<a href="#">Details</a> ▼
Debt – project finance	USD 324 million	13 April 2004	
<i>source:</i> China Gold East Paper To Invest \$500 Mln in Paper Making Line, Chinese News Digest, Paris, 13 April 2004.			
<b>Bank of Communications</b> China <a href="#">profile</a>			<a href="#">Details</a> ▼
Uncategorised			
<b>China Construction Bank</b> China <a href="#">profile</a>			<a href="#">Details</a> ▼
Debt – corporate loan Debt restructuring of APP China in November 2003			
<b>China Development Bank</b> China <a href="#">profile</a>			<a href="#">Details</a> ▼
Debt – corporate loan	USD 1.8 billion	3 October 2013	
for the development of the Oki Pulp and paper mill <i>source:</i> <a href="#">link</a>			
<b>Hua Xia Bank</b> China <a href="#">profile</a>			<a href="#">Details</a> ▼
Uncategorised			
<b>Industrial and Commercial Bank of China (ICBC)</b> China <a href="#">profile</a>			<a href="#">Details</a> ▼
Debt – project finance <i>source:</i> APP China Unit Eyes Listing, Georgina Lee and Dennis Eng, The Standard, Hong Kong, 17 February 2004			
<b>UBS</b> Switzerland <a href="#">profile</a>			<a href="#">Details</a> ▼
Share issue – underwriter	USD 0.3 million	30 June 2010	
shares/bonds underwriter or manager - 30 June 2010 - Actions held of Indah Kiat through UBS Global Securities Relationship Fund <i>source:</i> <a href="#">link</a>			
Share issue – underwriter	USD 2.9 million	30 June 2010	
shares/bonds underwriter or manager - Actions held of Indah Kiat through UBS (LUX) Equity SICAV – Emerging Markets Growth <i>source:</i> <a href="#">link</a>			

## Related Dodgy Deals

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### Projects

There are no projects active for Asia Pulp and Paper (APP) now.

[ [Show on record project files](#) ]

<b>OKI Pulp &amp; Paper Mills</b> Indonesia forestry - pulp and paper	<b>On record</b>
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