

# Asia Pulp and Paper - APP Indonesia

**Sectors:** forestry - pulp and paper

## ● On record

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Created before Nov 2016

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APP is the pulp and paper subsidiary of the [Sinar Mas Group](#), and is [one of the largest](#) pulp and paper companies in the world. The Sinar Mas Group was founded in 1962 by Eka Tjipta Widjaja. It is an Indonesian conglomerate with activities in the pulp and paper, palm oil, food, and finance sectors. 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 APP Group produces more than [19 million tons](#) of pulp and paper annually, and operates in Indonesia and China.

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, but they also said 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.

<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 banking companies. Sinar Mar 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

### Social issues

APP has a well-documented legacy of adverse social and environmental impacts associated with its operations. 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.

A joint NGO submission [report](#) to the RA, found that APP was not responding adequately to conflicts brought to its attention in at least four provinces. The report also states that, though the exact number is not available publicly, hundreds of unresolved land and other disputes with communities across APP's and its suppliers' land bank still remain. APP responds that they have done conflict mapping and are developing action plans to address conflicts across their land bank, however, affected communities and other key stakeholders have not had the opportunity to participate in the conflict mapping process or in the development of action plans that concern their own future and interests.

The 2015 Rainforest Alliance [report](#) confirms 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, security guards of an APP affiliate company were [accused](#) of brutally murdering a villager. APP has [condemned](#) the murder.

### Environmental issues

APP has been criticized for massive deforestation in the past. In February 2013 it adopted a [Forest Conservation Policy](#) and significant improvements have been noted since.

In its 2015 evaluation [report](#), Rainforest Alliance found that APP had met its commitments to halt the cutting of natural forest for the purposes of establishing new plantation areas, stop the building of new canals in peatlands by its suppliers and stop all transport of MTH for its own pulp supply

by August 2013. Rainforest Alliance also found that as of August 15, 2014 APP pulp mills in Indonesia are receiving only plantation fiber from its supply sources in Indonesia. APP has also met the commitments to develop measures to assess its global supply chain by developing an association procedure for future pulpwood suppliers and ensuring existing suppliers meet APP's Responsible Fibre Procurement and Processing Policy (RFPPP). APP has also eliminated one non-cooperative supplier.

In the past, the company has been **accused** of illegal logging and of building **illegal logging roads**. APP has also been criticized for **clear-cutting** in seven out of the existing eight natural forest landscapes in Sumatra: Senepis, Giam Siak Kecil, Kampar, Kerumutan, Bukit Tigapuluh, Tesso Nilo and Libo. APP was considered responsible for massive **conversion of peatlands** into pulp plantations, with the release of 67-86 million tonnes of CO2 in 2006. In 2012, a Greenpeace **study** found that APP was illegally logging ramin, a tree species that is protected under Indonesian law as well as the CITIES convention. In 2013, the Sumatra-based NGO coalition Eyes on the Forest, estimated that APP/SMG **had pulped** more than 2 million hectares of tropical forests in Sumatra since it started pulp production in 1984.

APP has also been **linked** to illegal deforestation in Cambodia.

**Expansion plans** Past environmental and social impacts of the massive destruction of natural forests are linked to past and current **over-capacity in pulp mills** in Indonesia. Expansion of production capacity in this delicate and sensitive phase could pose a serious threat to the improvement and implementation of APP's new Forest Conservation Policy, undermining the opportunity for a major change in the Indonesian pulp & paper sector.

In the last two years APP **has announced a number of new production lines** in China and Indonesia, increasing paper production capacity by almost 3 millions tonnes/year:

- APP is building the **Oki pulp and paper mill** in South Sumatra, with a capacity of 2 million tons/year. APP argues that an unpublished **report by the TFT**, from September 2014, confirms it does have enough plantations to source from. Subsequent reports by **Greenomics** and **Forest Trends** contradicts this.

- According to RISI, APP announced in 2012 that it would build **42 tissue paper machines** with a huge combined capacity of more than one million tonnes per year in China.

- In 2013 APP has unveiled plans to erect **15 large tissue machines** with a combined capacity of 900,000 million tonnes pulp per year at two of its mills in Indonesia, most of them to be installed at its Perawang mill, in Sumatra.

A sudden increase of production capacity by APP could bring the company to face severe fibre shortage, discouraging it from reforming its practices on the ground. This scenario could even lead the company to fail to adequately implement its new policy.

## Human rights

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

## Other issues

**Companies that ended their contracts with APP** By December 2009, **Staples**, Office Depot and Woolworths had stopped selling APP products, following the release of the Greenpeace reports **Burning up Borneo** and **Illegal Forest Clearance and RSPO Greenwash** (they resumed commercial relationships in 2014). In 2010, after the publication of the report **Pulping the Planet**, other large multinational groups like Carrefour, Gucci, H&M, Hugo Boss, Volkswagen, Fuji Xerox, Ricoh, Sainsbury's, Marks & Spencer and Tesco also ended their contracts with APP. The Greenpeace **campaign** led to over 100 countries to cut ties with APP. In response, APP published its **Forest Conservation Policy** in February 2013.

**Police Investigation** In 2007, the Riau Police and the Indonesian National Police **probed** 14 companies as part of a widespread illegal logging case. Half of those cases were APP/SMG-associated companies.

In March 2014, the former governor of Indonesia's Riau province was **sentenced** to 14 years in prison and ordered to pay almost USD90,000 in fines for illegally issuing logging permits to APP subsidiaries. In addition, three wood suppliers of APP are among 14 companies which the Ministry of Environment has under examination for possible liability suits over environmental damages.

## Governance

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## Updates

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

Apr 30 2016

This **study** by twelve international and Indonesian NGOs shows 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.

## Financiers

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## Banks

<b>Agricultural Bank of China</b> China <a href="#">profile</a>	<a href="#">Details</a> ▼	
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>	<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> ▼	
Uncategorised	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>		
Uncategorised	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>		

For more detailed information about the financing of the project see the Profundo report "[European banks financing controversial companies](#)" (page 2).

## 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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