



BORNEO DEFORESTATION UPDATE

Asia Pulp & Paper and
APRIL Groups continued
in 2018 to source wood
from controversial
supplier owned by
Djarum Group

October 2019

Koalisi Anti Mafia Hutan

PUSAKA



HaKI
Hutan Kita Institute

Jikalahari
Jaringan Kerja Penyelamat Hutan Riau



**WOODS &
WAYSIDE**
INTERNATIONAL

**Environmental
Paper Network**
INDONESIA WORKING GROUP

auriga

Asia Pulp & Paper and APRIL Groups continued in 2018 to source wood from controversial supplier owned by Djarum Group

Follow-up to [joint NGO report](#) published in August 2018 about deforestation in East Kalimantan on Djarum Group concessions

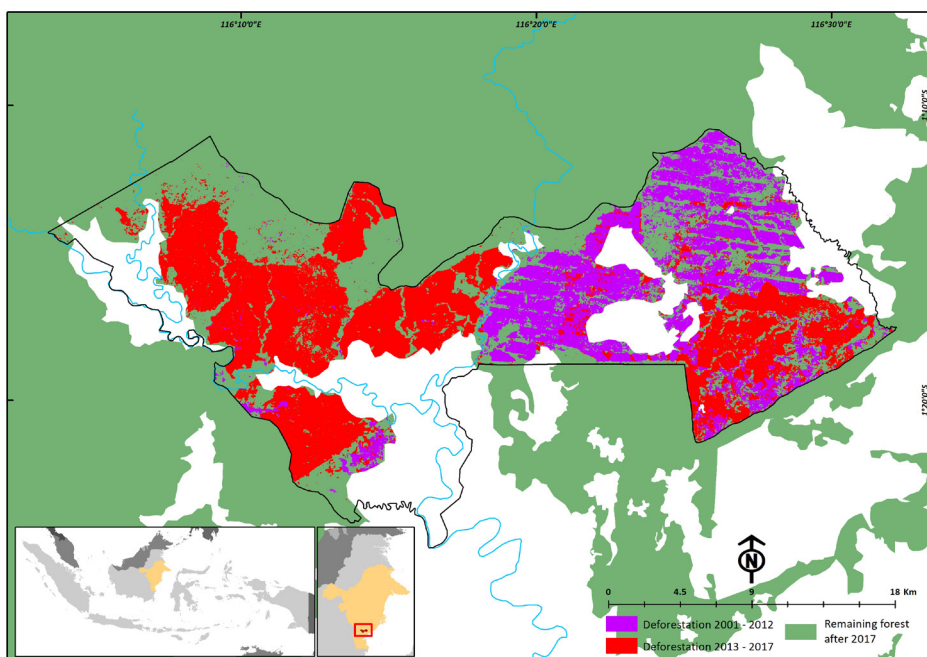
In 2018, Indonesian pulp and paper producers Asia Pacific Resources International Holdings Limited (APRIL) and Asia Pulp & Paper (APP) continued to source wood from a supplier that violated their respective no-deforestation commitments. Satellite imagery indicates that PT Fajar Surya Swadaya destroyed tropical rainforest to develop wood fiber plantations at least through 2017.¹ Government reports record wood shipments from PT Fajar Surya Swadaya's plantations to APRIL and APP affiliated mills in 2017 and 2018.²

[APP confirmed](#) the deforestation on PT Fajar Surya Swadaya after this NGO coalition published the satellite imagery in August 2018.³ APP claimed to have stopped shipments to its pulp mill in Sumatra,⁴ even as it continued to accept the tainted wood in 2018 to an affiliated chip mill in Kalimantan.⁵ APRIL, [denying any violation](#) of its sustainability policy,⁶ used double the amount of wood in 2018 from this controversial supplier than it did the preceding year – over 10,000 truckloads worth.⁷

Deforestation at East Kalimantan Concession

- PT Fajar Surya Swadaya cleared nearly 20,000 hectares (ha) of natural forest during 2013–2017 (see Map 1), [according to a report](#) published by a coalition of civil society organizations in August 2018.⁸
- Djarum Group is the owner of PT Fajar Surya Swadaya.⁹ One of Indonesia's largest conglomerates, Djarum Group is reportedly building a pulp mill in East Kalimantan under the company PT Agra Bareksa Indonesia.¹⁰ The mill plans to use PT Fajar Surya Swadaya as a source of wood.¹¹

Map 1. Satellite imagery analysis of PT Fajar Surya Swadaya's concession in East Kalimantan indicating deforestation during 2001–2012 and 2013–2017, and remaining natural forest cover.



Sources: Forest cover from Indonesia's Ministry of Environment and Forestry land cover maps from 2000 and 2015, available at <http://webgis.menlhk.go.id:8080/pl/pl.htm>; Tree cover loss from Hansen et al. 2013. "High-Resolution Global Maps of 21st-Century Forest Cover Change." *Science* 342 (15 November): 850–53; with updates through 2017, available at https://earthenginepartners.appspot.com/science-2013-global-forest/download_v1.5.html.

APRIL and APP Wood Sourcing in 2018

APRIL

PT Riau Andalan Pulp & Paper, APRIL's flagship pulp and paper mill in Indonesia, sourced 305,617 m³ of wood from Fajar Surya Swadaya in 2018, according to the company's wood utilization reports.

APP

PT Indah Kiat, APP's largest pulp and paper mill in Indonesia, sourced 18,538 m³ of wood from Fajar Surya Swadaya in 2018,¹² according to wood utilization reports filed with the Ministry of Environment and Forestry. Another 25,099 m³ of wood from Fajar Surya Swadaya in 2018 entered an APP-affiliated chip mill in East Kalimantan operated by PT Sarana Bina Semesta Alam.

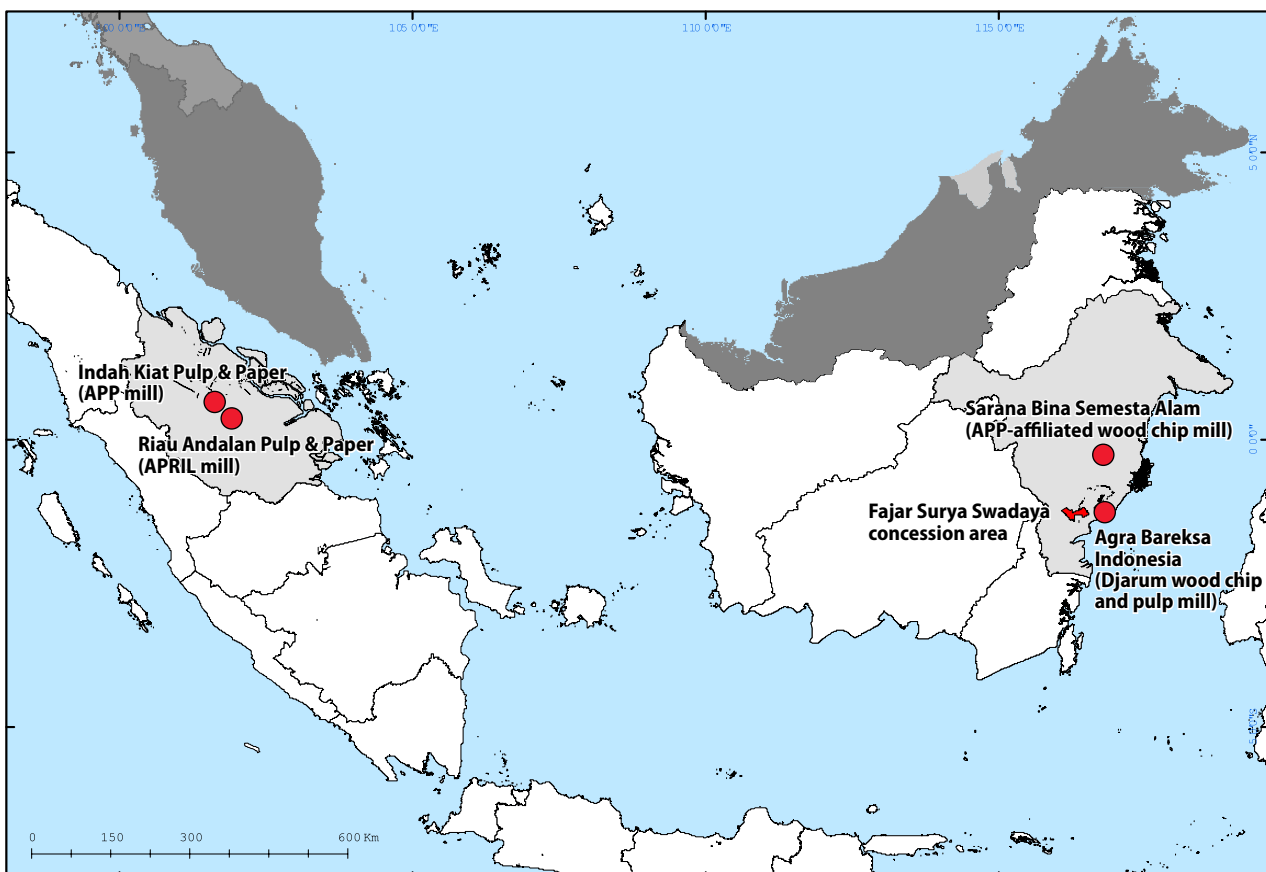
Table 1. Pulpwood from PT Fajar Surya Swadaya, 2017–2018

Year	PT Riau Andalan Pulp & Paper (m ³)	PT Indah Kiat Pulp & Paper (m ³)	PT Sarana Bina Semesta Alam (m ³)
2017	141,183	24,863	14,726
2018	305,617	18,538*	25,099

Source: Ministry of Environment and Forestry, RPBB reports for "PT Riau Andalan Pulp & Paper", "PT Indah Kiat Pulp & Paper", and "PT Sarana Bina Semesta Alam", 2017 and 2018.

* Shipments received by PT Indah Kiat Pulp & Paper in 2018 apparently originated in 2017 and were reported by APP in the company's response to the original NGO report about deforestation on PT Fajar Surya Swadaya.

Map 2. Location of Fajar Surya Swadaya concession area and APP, APRIL and Djarum pulp and wood chip mills.



Source: Locations based on publicly available information.

APP Confirms Deforestation and Cuts Supplier

APP's response to the deforestation findings detailed in the joint NGO report of August 2018 was to publish a "[verification report](#)" on logs purchased from PT Fajar Surya Swadaya.¹³ In the "verification report", APP states that Fajar Surya Swadaya converted High Carbon Stock (HCS) forests, and in November 2017 APP categorized the supplier as "significant risk not aligned with APP's commitment".¹⁴ Both [APP](#) and [APRIL](#) have commitments that prohibit sourcing from operations linked to destruction of High Conservational Value (HCV) and HCS forests.

In the "verification report" APP has described the purchase of wood from Fajar Surya Swadaya as an "administration lapse" that occurred because it began a pulpwood supply contract with Fajar Surya Swadaya before the supplier review process was complete.¹⁵ APP's response claims that the 27,367 tons of wood from Fajar Surya Swadaya has not been used in the pulp production process (see Graphic 1), but also acknowledges that 3,548 tons (about 120 truckloads) has actually been included in the production process as fuel for the mill's boilers and to make pallets.¹⁶

Graphic 1. Asia Pulp & Paper's response to the joint NGO report in August 2018 included this photo, apparently showing the wood from PT Fajar Surya Swadaya in the logyard of PT Indah Kiat Pulp & Paper.



Source: Asia Pulp & Paper. 2018. "APP response to Auriga's allegations of deforestation in East Kalimantan". News and Media website. August 15. <https://www.asiapulppaper.com/news-media/press-releases/app-response-aurigas-allegations-deforestation-east-kalimantan-0>.

APP stated, "This administration lapse and our quarantine response, was shared with our FCP implementation partner, TFT."¹⁷ However, until the joint NGO report was released in August 2018, neither APP nor The Forest Trust (TFT), a consultancy now called Earthworm Foundation, had apparently publicly reported the purchase of wood from a supplier that did not meet APP's sustainability requirements. APP claims that it told stakeholders it had suspended contracts with two suppliers,¹⁸ while apparently not including the fact that it had purchased tainted wood from at least one of them.

Had the NGO report not been published, it appears that neither APP nor TFT/Earthworm planned to publicly report this breach of sustainability policy. The failure to self-report this breach prior to publication of the joint NGO report raises fundamental questions about the accountability of APP's Forest Conservation Policy.

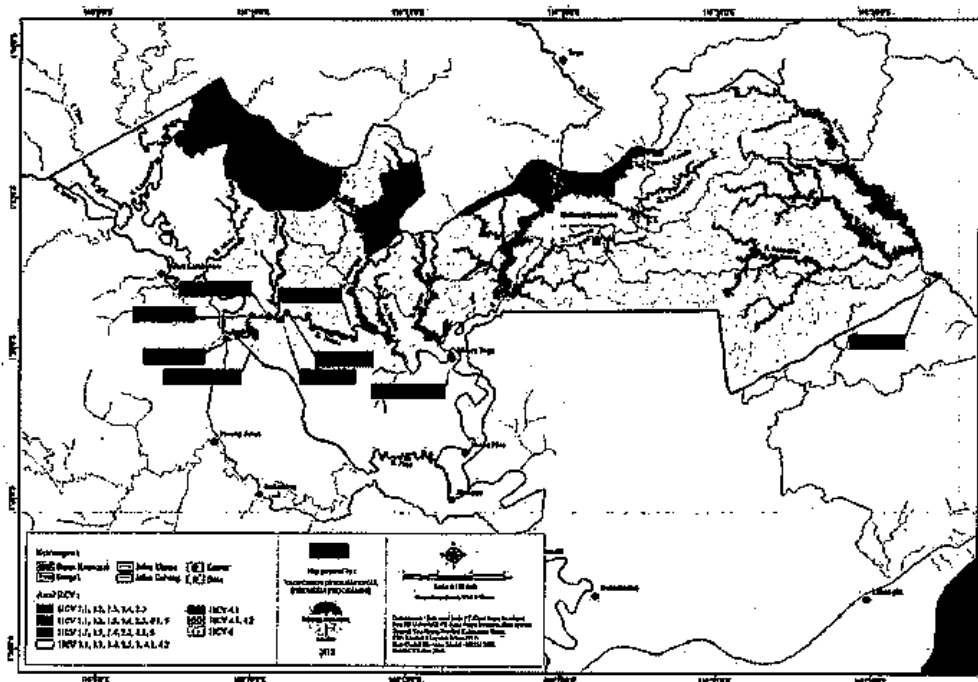
APRIL Doubles Supply in 2018, Denying Violation

APRIL sourced 305,617 m³ of wood from Fajar Surya Swadaya in 2018, according to the wood utilization reports from APRIL's mill in Sumatra.¹⁹ Although this is less than 3% of APRIL's total wood supply for the Riau Andalan Pulp & Paper mill, it is a considerable amount of wood – around 10,000 truckloads worth. In 2017, APRIL's mill used less than half of this amount, 141,183 m³.²⁰

In its response to the NGO report on deforestation in Fajar Surya Swadaya's concession area, APRIL claimed that Tropenbos International had completed an HCV assessment for the concession and that plantation development only occurred on non-HCV areas.²¹ APRIL provided no documentation with this statement to support its claim.

An APRIL document from July 2018 states that PT Fajar Surya Swadaya's HCV assessment is "Available at supplier site".²² An updated APRIL supplier list from May 2019 includes a link to a black and white photocopy of an Executive Summary of an HCV assessment conducted by Tropenbos International on Fajar Surya Swadaya in 2015.²³ The photocopy of the one map included in the Executive Summary is blurry and without its original color-coding to denote specific HCV areas (see Figure 2). This HCV assessment, to the best of our knowledge, has not been submitted to the [HCV Resource Network](#) for peer review.²⁴ In the past, NGOs have noted [significant weaknesses](#) in HCV assessments conducted for APRIL.²⁵

Graphic 2. Map of PT Fajar Surya Swadaya's concession included in the Executive Summary of the High Conservation Value assessment released by APRIL with its May 2019 supplier list.



Source: Downloaded from APRIL Group HCV Assessment List, May 2019.

APRIL has not indicated publicly that it conducted or reviewed a High Carbon Stock assessment completed for the concession. Yet [APRIL's sustainability policy](#) states: "APRIL and its suppliers will only develop areas that are not forested, as identified through independent, peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments."²⁶

APRIL's pulp is increasingly used by its sister company Sateri to manufacture textiles [reportedly purchased](#) by clothing retailers such as H&M and Zara.²⁷

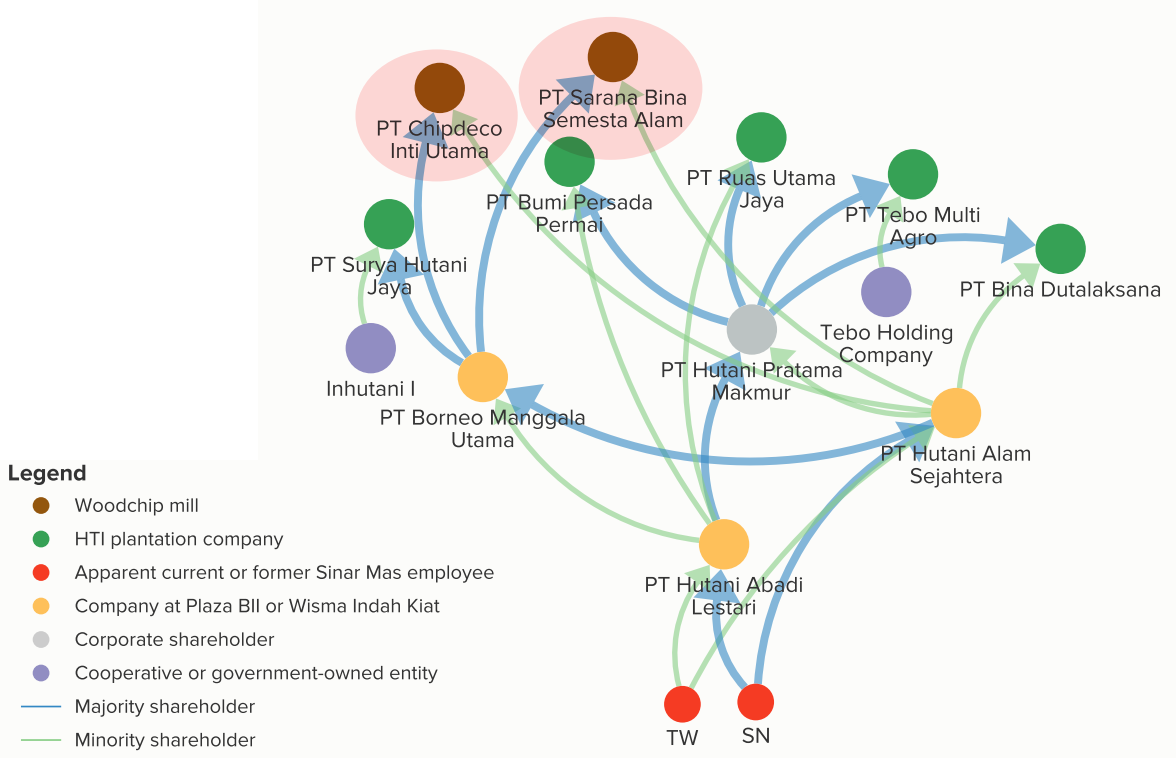
APP Takes No Responsibility for Kalimantan Wood Chip Mill

APP confirmed the deforestation in Fajar Surya Swadaya’s concession area and cut supplies to its pulp mill in Riau. However, wood continued to flow in 2018 to an APP-affiliated chip mill in East Kalimantan operated by PT Sarana Bina Semesta Alam (PT SBSA). In response to the coalition’s initial report on Fajar Surya Swadaya, APP denied responsibility for the wood purchased by PT SBSA. At that time in August 2018, APP stated, “APP does not own or control PT Sarana Bina Semesta Alam (PT SBSA), which is alleged to have acquired fibre supply from PT Silva Rimba Lestari (PT SRL) and PT Fajar Surya Swadaya (PT FSS).” **APP further claimed** in a 2018 media article that it has “no legal or financial connections or influence” over PT SBSA.²⁸

Only six months later, **APP reported** that the wood chip mill PT Sarana Bina Semesta Alam is a “partner” over which it has “significant influence”, including possible ownership and management links.²⁹ PT SBSA is owned by Sinar Mas/APP-affiliated holding companies, whose ultimate controlling shareholders and sole Commissioner have been identified to be current or former employees of Sinar Mas Forestry or APP, according to a **civil society report** published in May 2018 (see Figure 1).³⁰ Three of the holding companies for PT SBSA use the address of Asia Pulp & Paper’s headquarters in Jakarta, according to corporate profile documents filed with Indonesia’s Ministry of Law and Human Rights, as of April 16, 2018.³¹

Furthermore, trade data indicates that in 2017 PT SBSA sent most of its wood chip exports, valued at over US\$20 million, to Hainan Jinhai Pulp & Paper, APP’s pulp mill in China. Given that APP’s Forest Conservation Policy explicitly covers “APP and its suppliers in Indonesia [and] any Indonesian fiber utilized by APP’s mills elsewhere,” APP’s denial of responsibility for a mill within its supply chain and apparently under its control reflects poorly on the integrity of its sustainability commitments.

Figure 1. Shareholder map for PT Sarana Bina Semesta Alam and PT Chipdeco Inti Utama, APP’s wood chip mills in Kalimantan, as of April 16, 2018.



Source: Koalisi Anti Mafia Hutan et al. 2018a. Removing the Corporate Mask: An Assessment of the Ownership and Management Structures of Asia Pulp & Paper’s Declared Wood Suppliers in Indonesia. May 30. Jakarta, Indonesia. <http://auriga.or.id/wp-content/uploads/2018/05/Removing-the-corporate-mask.pdf>.

Koalisi Anti Mafia Hutan Recommendations

The Koalisi Anti Mafia Hutan calls on Djarum Group to:

1. Immediately halt all future clearing of natural forests within the concession managed by PT Fajar Surya Swadaya and all other forestry concessions under the group's management.
2. Adopt a policy of zero-deforestation and a moratorium on land-use practices that involve the clearing of natural forests, drainage of peatlands, and/or the violation of rights of local communities.
3. Publicly commit to remedy all environmental and social harm caused since the start of PT Fajar Surya Swadaya's activities on the concession area in East Kalimantan.

The Koalisi Anti Mafia Hutan calls on APRIL and APP Groups to:

4. Suspend wood purchases from Fajar Surya Swadaya pending Djarum Group's adoption of the above recommendations.
5. Make public all HCV assessments reportedly prepared for PT Fajar Surya Swadaya and formally submit them to the HCV Resource Network for technical peer review.
6. Publicly document in a written report any violations of sustainability policy, share these on their respective websites, and email notification to all sustainability stakeholders.
7. Fully implement an accountable policy of initiating purchase agreements for pulpwood only after the supplier review process is complete.

The Koalisi Anti Mafia Hutan calls on Djarum, APP, and APRIL Groups to:

8. Commit to adopting more genuinely independent, transparent, and accountable mechanisms for monitoring corporate commitments to zero-deforestation, responsible management of peatlands, and respect for the rights of local communities.

Citation

Koalisi Anti Mafia Hutan et al. 2019. Asia Pulp & Paper and APRIL Groups continued in 2018 to source wood from controversial supplier owned by Djarum Group. October. Jakarta, Indonesia.

Endnotes

- 1 WWF et al. 2018. "APP and APRIL violate zero-deforestation policies with wood purchases from Djarum Group concessions in East Kalimantan." August 15. <https://wwf.panda.org/?333258/APP-and-APRIL-violate-zero-deforestation-policies-with-wood-purchases-from-Djarum-Group-concessions-in-East-Kalimantan>.
- 2 RPBBI reports. 2017 and 2018. "PT Indah Kiat Pulp & Paper Tbk.," "PT Sarana Bina Semesta Alam," "PT Riau Andalan Pulp & Paper". Ministry of Environment and Forestry.
- 3 Asia Pulp & Paper. 2018. "Verification report on logs from PT Fajar Surya Swadaya (FSS)." September 5. <http://www.fcpmonitoring.com/Pages/OpenPDF.aspx?nid=200082>.
- 4 *Ibid.* Asia Pulp & Paper. 2018.
- 5 RPBBI report. 2018. "PT Sarana Bina Semesta Alam". Ministry of Environment and Forestry.
- 6 APRIL Group. 2018. "UPDATED – APRIL Response to NGO Coalition (Auriga) Report Regarding Supply." August 15. <https://www.aprildialog.com/en/2018/08/15/april-response-to-auriga-report/>.
- 7 RPBBI reports. 2017 and 2018. "PT Riau Andalan Pulp & Paper". Ministry of Environment and Forestry.
- 8 *Ibid.* WWF et al. 2018.
- 9 Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.
- 10 The "BMJ Performance Board" website, created in 2014 (<https://www.bmjperformanceboard.com>) states, "As part of its growth and diversification, the Djarum Group is expanding its position in packaging, through investment in fast growing plantations, and subsequent implementation of an integrated pulp(215 mt BCTMP) and packaging (383 mt FBB) plant, located in proximity to the industrial city of Balikpapan." PT Agra Bareksa Indonesia is identified as a subsidiary of the Djarum Group on the same website. Kalamanthana. 2018. "Kabar Bagus Nih, Agra Bareksa di PPU Bakal Serap 20 Ribu Tenaga Kerja." February 19. <http://www.kalamanthana.com/2018/02/19/kabar-bagus-nih-agra-bareksa-di-ppu-bakal-serap-20-ribu-tenaga-kerja>.
- 11 PT Agra Bareksa Indonesia. 2016. Environmental Management Plan and Environmental Monitoring Plan (Rencana Pengelolaan Lingkungan Hidup dan Rencana Pemantauan Lingkungan Hidup).
- 12 Shipments received by PT Indah Kiat Pulp & Paper in 2018 apparently originated in 2017 and were reported by APP in the [company's response](#) to the [original NGO report](#) about deforestation on PT Fajar Surya Swadaya.
- 13 *Ibid.* Asia Pulp & Paper 2018.
- 14 *Ibid.* Asia Pulp & Paper. 2018.
- 15 *Ibid.* Asia Pulp & Paper. 2018.
- 16 *Ibid.* Asia Pulp & Paper. 2018.
- 17 *Ibid.* Asia Pulp & Paper. 2018.
- 18 Hicks, Robin. 2018. "Have APP and APRIL both broken their no-deforestation promises?" Eco-Business. August 17. <https://www.eco-business.com/news/have-app-and-april-both-broken-their-no-deforestation-promises/>.
- 19 RPBBI report. 2018. "PT Riau Andalan Pulp & Paper". Ministry of Environment and Forestry.
- 20 "PT Riau Andalan Pulp & Paper". Ministry of Environment and Forestry.
- 21 APRIL Group. 2018. "UPDATED – APRIL Response to NGO Coalition (Auriga) Report Regarding Supply." August 15. <https://www.aprildialog.com/en/2018/08/15/april-response-to-auriga-report/>.
- 22 APRIL Group. 2018. "Supplier List". May. Downloaded from APRIL Group Sustainability website.
- 23 APRIL Group. 2019. "List of HCV assessments – As at 31 May 2019." Downloaded from Sustainability website.
- 24 HCV Resource Network. 2019. "Find a Report". <https://hcvnetwork.org/find-a-report/>. Accessed on June 28, 2019.
- 25 WWF et al. 2014. "Natural Forest Clearance Continues on Deep Peat in APRIL Supplier Concession." May 20. http://awsassets.wwf.or.id/downloads/report_april_hcvf_clearance_continues_english_1.pdf.
- 26 APRIL Group. 2015. "APRIL Group's Sustainable Forest Management Policy 2.0." 3 June. <https://www.aprilasia.com/en/sustainability/sustainability-policy>.
- 27 Changing Markets. 2017. "Dirty Fashion: How pollution in the global textiles supply chain is making viscose toxic." June. http://changingmarkets.org/wp-content/uploads/2017/06/CHANGING_MARKETS_DIRTY_FASHION_REPORT_SPREAD_WEB.pdf.
- 28 *Ibid.* Hicks. 2018.
- 29 APP/Sinarmas. 2019. "APP Assessment on its link with industrial forest plantations in Indonesia." Executive Summary. March 15. <http://www.fcpmonitoring.com/Pages/OpenPDF.aspx?id=1422>.
- 30 Koalisi Anti Mafia Hutan et al. 2018a. Removing the Corporate Mask: An Assessment of the Ownership and Management Structures of Asia Pulp & Paper's Declared Wood Suppliers in Indonesia. May 30. Jakarta, Indonesia. <http://auriga.or.id/wp-content/uploads/2018/05/Removing-the-corporate-mask.pdf>.
- 31 *Ibid.* Koalisi Anti Mafia Hutan et al. 2018a.