

## *Background information*

# **Severe social and environmental impacts linked to APP - Sinar Mas Group and Paper Excellence**

In examples across the world, Paper Excellence and APP/SMG have \ overseen operations that have caused, and continue to cause, severe social and environmental harm:

### **Indonesia**

- APP is one of the world's largest paper companies, whose name has been long associated with [two million ha of deforestation in Sumatra](#) and human rights abuses, including the [brutal killing](#) of a local farmer activist, [harassment of local communities](#), and its failure to resolve [land rights conflicts](#). APP plantations on dried peat are still discharging greenhouse gases equaling [country emissions of a nation like Norway](#), and are also likely contributing to massive forest fires.
- Last year, the Environmental Paper Network (EPN) released a [publication detailing APP failures](#) in implementing its 2013 commitments to stop sourcing from deforestation fibre, to protect peatlands, and to respect communities' rights. APP is still embroiled in [hundreds of social conflicts](#) with local communities throughout Indonesia. As an example, just few weeks ago - while the Domtar deal was being negotiated - the security team of an APP subsidiary in Sumatra [beat indigenous women protecting their customary land](#), in the very same village where in the past [an entire hamlet has been cleared by fire-bombing](#) in order to expand APP's plantations over community lands.

### **Paper Excellence's aggressive expansion strategy**

- Paper Excellence has pursued an aggressive strategy of expansion by acquisition in Canada, France, and [Brazil](#). In Canada, the operations of Paper Excellence's Northern Pulp faced strong opposition from [local communities and First Nations](#), amid [undue political leverage](#). Eventually, Northern Pulp declared [to be unable to pay its \\$311 million debt](#), while at the same time Paper Excellence, was agreeing to the \$3 billion deal to acquire Domtar.
- In Brazil, Paper Excellence controls 49.41% of Eldorado, a pulp producer [with 230,000 hectares of company-owned eucalyptus plantations](#) in the state of Mato Grosso do Sul in Brazil, has been condemned by the Brazilian justice for working conditions defined by the prosecutor as ["comparable to a slave labor's day"](#). It is expanding its control through [personal links between the Bolsonaro and Widjaja families](#).

### **Forest Stewardship Council (FSC) Certification**

FSC [disassociated from APP in October 2007](#). APP's recent attempt to end the dis-association failed when it did not meet [FSC's request for transparency](#) of its corporate structure. The legitimacy of Paper Excellence's own FSC membership appears tenuous, given that it has common beneficial ownership with a dis-associated company. FSC is revising its Policy for Association to, among other things, close the "ownership loophole". The current Policy for Association draft [open for public consultation](#) would, if adopted in its current form, mean that Paper Excellence and any of its subsidiaries could lose FSC membership. Therefore, by becoming part of the same conglomerate, Domtar might face challenges to maintaining its FSC certificates.

### **Further resources:**

- BankTrack profile on APP: [https://www.banktrack.org/company/asia\\_pulp\\_and\\_paper#](https://www.banktrack.org/company/asia_pulp_and_paper#)
- EPN webpage on APP / Paper Excellence: <https://environmentalpaper.org/asia-pulp-and-paper-app/>
- [Overview](#) of APP and Sinar Mas related companies: [https://www.banktrack.org/download/overview\\_of\\_app\\_and\\_sinar\\_mas\\_related\\_companies\\_suppliers\\_and\\_brands/app\\_and\\_sinar\\_mas\\_related\\_companies.pdf](https://www.banktrack.org/download/overview_of_app_and_sinar_mas_related_companies_suppliers_and_brands/app_and_sinar_mas_related_companies.pdf)
- On the control over 25% of the pulp industry in Canada: Canada's total pulp production in 2019 was [15.392 million tonnes](#). In contrast, [Domtar produces 1.8 million tons](#) and Paper Excellence has an annual pulp production capacity of [1.9 million tonnes](#) in Canada.
- NRDC [blog](#) on the proposed acquisition of Domtar.