Pulping Borneo

Deforestation in the RGE Group’s supply chain and RGE’s hidden links to a new mega-scale pulp mill in North Kalimantan, Indonesia

May 2023
Citation


Acknowledgment
The organizations publishing this report would like to thank TheTreeMap for providing imagery based on the Nusantara Atlas data that clearly distinguishes between pre- and post-2016 deforestation.

Disclaimer
This report has been prepared based on publicly available information and data obtained from numerous sources as cited. No independent verification of the sources cited has been undertaken, and where the authors express any opinion, it is the authors’ opinion only and is not intended as specific advice to any particular party or person. This report does not allege, and should not be construed to allege, that any of the companies or individuals named in this report have committed legal or regulatory violations in Indonesia or any other jurisdiction.

Eleven parties – The Royal Golden Eagle (RGE) Group, Asia Symbol, APRIL, APRIL's Stakeholder Advisory Committee, KPMG, the Forest Stewardship Council, PT Phoenix Resources International, PT Balikpapan Chip Lestari, PT Adindo Hutani Lestari, PT Industrial Forest Plantation, and PT Fajar Surya Swadaya – were delivered the findings of this report prior to the report's publication. Their responses, if received, are summarized in the report’s text and published, in full, in the report’s appendices.


Front and back cover photos are of recent deforestation in PT Industrial Forest Plantation’s concession area that were taken in October 2022. Source: Fajar Sandhika/Auriga Nusantara.

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Executive Summary

Despite its well-publicized commitment to “No Deforestation”, Indonesia’s Royal Golden Eagle (RGE) Group, one of the world’s largest pulp and paper companies, still has deforestation in its pulp supply chain. RGE is also now linked to a new mega-scale pulp mill under construction in northeast Kalimantan, Indonesia which is expected to threaten some of the world’s largest tropical rainforests.

This report aims to raise awareness about the risks that RGE’s current and planned operations pose for rainforest destruction in Kalimantan and Papua. The findings of this report should caution RGE’s customers, financiers, certification bodies, as well as local communities, civil society, consumers of RGE products, and the broader public about its controversial wood suppliers and risky pulp mill expansion plans. The manner in which corporate structuring in offshore jurisdictions obscures RGE’s involvement in these controversial operations should raise further concerns.

RGE, through its companies Sateri and Asia Pacific Rayon, is the world’s largest producer of viscose, a material made from dissolving wood pulp which is used in the manufacture of synthetic textiles for clothing and other products. RGE is also a leading producer in the global pulp, paper and packaging sectors through its subsidiaries Asia Pacific Resources International Limited (APRIL) in Indonesia, Asia Symbol in China, and Bracell in Brazil.

This investigation reveals that RGE’s pulp mill in China has been using wood from companies that have recently cleared large tracts of tropical rainforest in Kalimantan, Indonesia’s territory on the island of Borneo. Much of the rainforest, before it was destroyed, was habitat for endangered Bornean orangutans, according to data published by Indonesia’s Ministry of Environment and Forestry.

Evidence presented in this report has been obtained through analysis of satellite imagery, and the review of shipment-level trade data, vessel tracking reports and supplier disclosure data. The investigation found that in 2021 and 2022, Asia Symbol’s pulp and paper mill in Rizhao, China, received wood from companies in Borneo that cleared tropical rainforest via PT Balikpapan Chip Lestari, a woodchip mill in Kalimantan linked to RGE. Since June 2015, when RGE’s Forestry, Fibre, Pulp & Paper Sustainability Framework – which prohibits deforestation – took effect, suppliers to this woodchip mill have cleared 37,105 ha of natural forest in Central, East, and North Kalimantan according to Nusantara Atlas, amounting to an area over half the size of Singapore.

Neither of the parties responsible for monitoring APRIL’s implementation of its own sustainability policies – namely, its Stakeholder Advisory Committee (SAC) and the global accounting firm KPMG – has publicly reported this deforestation in the RGE supply chain. Both the SAC and KPMG issue regular reports on APRIL’s sustainability performance in the pulp sector. In response to the findings of this report, both SAC and KPMG denied it was their responsibility to monitor and report on the activities of RGE Group companies other than APRIL. One of the SAC’s co-chairs, Dr. Jeffrey Sayer, responded that most of the issues raised “fall outside of the SAC mandate, but they are none the less of interest and we will continue to review them at our future meetings. The issues will be on the agenda for our face to face meeting in June of this year.” KPMG responded, “The scope of our assessment does not include the broader RGE Group or other mills.”
This investigation examined corporate records to document RGE’s links to a new mega-scale pulp mill – which is currently under construction on the island of Tarakan in northeastern Kalimantan – through its connections to the reported owner of the mill, PT Phoenix Resources International. The Phoenix pulp mill is reportedly designed to produce semi-chemical pulp, and according to the project’s Environmental Impact Assessment, the mill will have two production lines and a total pulp capacity of 1.7 million tons/year. Once it is fully operational, the mill is projected to consume at least 3.3 million metric tons (GMT) of wood fiber on an annual basis.

The Phoenix pulp mill will place new pressures on natural forests in Indonesia, as the mill’s demand for wood fiber is likely to drive the development of large areas of monoculture pulpwood plantations. Forest areas most directly at risk include those within forestry concessions currently supplying BCL in the provinces of North, East, and Central Kalimantan and those linked to RGE companies in South Papua and West Papua. Spatial analysis using satellite imagery identifies over 600,000 hectares of standing tropical rainforest within seven timber and plantation concessions.

Figure 1. Map of RGE-linked forestry concessions, PT Balikpapan Chip Lestari, and PT Phoenix Resources International.

As the Phoenix pulp mill is under construction in North Kalimantan, RGE-controlled APRIL is reportedly expanding its flagship pulp and paper mill operated by PT Riau Andalan Pulp & Paper in central Sumatra. The expansion of the Riau Andalan mill complex will reportedly increase the mill’s pulp production capacity by over 50% from its current level of 3.0 million tons/year, according to the Environmental Impact Assessment for the project. This implies that Riau Andalan’s annual wood fiber demand will increase correspondingly from its current level of approximately 14 million cubic meters to as much as 21 million cubic meters.

So far, APRIL has not adequately explained how it will increase pulpwod production to meet the additional wood fiber demand without driving further deforestation and conversion of natural forests and peatlands to pulpwod plantations. The Forests & Finance coalition has warned that this expansion of the mill’s pulp
production capacity will increase the risks of deforestation, social conflict, and fires which result in haze and greenhouse gas emissions.

The findings of this report also highlight the role that complex corporate structures play in hiding who actually controls and benefits from companies that are destroying Indonesia’s rainforests. RGE claims to apply a “No Deforestation” standard to all companies under its control and their suppliers. APRIL issues regular reports on the implementation of this standard by a set of companies which RGE officially acknowledges to be part of APRIL. However, the evidence presented in this report shows that RGE and its affiliates are also linked to an extensive network of companies, across numerous jurisdictions, which RGE does not publicly acknowledge as being controlled by, or affiliated with, APRIL or the RGE Group. This network of companies includes multiple layers of shell companies domiciled in offshore financial centers like the British Virgin Islands and the Cayman Islands, where ownership structures are hidden from public scrutiny.

In the cases of PT Balikpapan Chip Lestari and PT Phoenix Resources International, this set of companies seemingly escapes the application of RGE’s sustainability policies, while appearing to be critical parts of the group’s rapidly expanding business operations. And as the deforestation that continues to exist in RGE’s supply chain demonstrates, the risks posed by the development of a mega-scale pulp mill in northeast Kalimantan are alarming.

RGE was presented with the findings of the report prior to publication, but did not respond to a request for comment. Asia Symbol expressed concern over the findings, acknowledging PT Balikpapan Chip Lestari as a supplier, and indicated it would investigate the situation. APRIL responded that the company’s no deforestation commitments apply to all areas where it operates, that it has increased plantation yield and mill efficiency in recent years, and that it had not violated its 2015 sustainability commitments. Neither RGE nor APRIL responded to the allegation that a company under common control with RGE and APRIL is building a new mega-scale pulp mill in Borneo.
Introduction

Since June 2015, the Royal Golden Eagle (RGE) Group – the world’s largest producer of viscose and a leading producer of pulp, paper, and packaging products – has committed to a policy of “No Deforestation” in its supply chain. This policy is part of a broader Sustainability Framework, in which RGE also commits to “Responsible Management of Peatlands” and “Respect [for] the Rights of Indigenous Peoples and Communities,” among other measures. A similar set of sustainability policies has been adopted by Asia Pacific Resources International Ltd (APRIL), RGE’s subsidiary which oversees its pulp and paper operations in Indonesia; and by Asia Symbol, which coordinates RGE pulp and paper production in China.

In adopting these policies, RGE – together with APRIL and Asia Symbol – has promoted an image of being a “global leader in sustainability.” The group has sought to use this image to move beyond a long legacy of environmental harm and social conflict, particularly associated with its pulp production and plantation development activities in Indonesia. For over two decades beginning in the mid-1990s, RGE and APRIL were heavily criticized by civil society organizations (CSOs) for clearing hundreds of thousands of hectares of natural forest to provide wood fiber for their pulp mills and to develop large areas of monoculture plantations. A significant portion of the areas cleared by RGE and APRIL were carbon-rich, forested peatlands, which subsequently contributed to the catastrophic fires and haze which Indonesia experienced in 2015 and 2019. RGE and APRIL have also been embroiled in conflicts with scores of local and indigenous communities living in and around their forest plantation concessions, according to CSO reports, many of which remain unresolved.

Despite RGE’s group-wide commitment to eradicate deforestation in its supply chain, there is compelling evidence that some RGE companies have purchased wood from suppliers which have cleared natural forests after the June 2015 cut-off date. The present study uses analysis of satellite imagery from Nusantara Atlas to document over 37,000 hectares (ha) of deforestation during the period 2016–2022 in three forest plantation

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concessions in Kalimantan which have supplied a woodchip mill operated by PT Balikpapan Chip Lestari, a company with corporate links to the RGE Group. Analysis of shipment-level export data and vessel tracking information further shows that over 500,000 bone-dry tons (BDT) of woodchips produced by PT Balikpapan Chip Lestari were purchased by Asia Symbol to supply its pulp mill in Rizhao, China during 2021 and 2022. Two of the three suppliers with deforestation in their concessions after June 2015 have also shipped significant volumes of wood to APRIL’s flagship mill, PT Riau Andalan Pulp & Paper, in Kerinci, Riau Province, as recently as 2022.

RGE was presented with the findings of the present report, but did not respond to a request for comment prior to publication. Asia Symbol expressed concern over the findings, acknowledging PT Balikpapan Chip Lestari as a supplier, and indicated it would investigate the situation. APRIL responded that the company’s no deforestation commitments apply to all areas where it operates, that it has increased plantation yield and mill efficiency in recent years, and that it had not violated its 2015 sustainability commitments.

The threats that the RGE Group poses to the forests of Borneo, and other forested regions of Indonesia, are hardly limited to the wood supply chains of the group’s existing pulp mills. This report documents links between RGE and PT Phoenix Resources International, an Indonesia-registered company which is building a mega-scale pulp mill on Tarakan Island in North Kalimantan Province. According to the project's Environmental Impact Assessment, the Phoenix mill will produce 1.7 million tons/year of semi-chemical pulp when it is fully operational, consuming approximately 3.3 million green metric tons (GMT) of wood fiber on an annual basis.

It can reasonably be expected that the Phoenix mill will drive the development of large new areas of monoculture pulpwod plantations, thereby placing new pressures on natural forests in RGE supplier concessions. Through analysis of satellite imagery, the study documents over 600,000 ha of standing tropical rainforest within forestry concessions in North, East, and Central Kalimantan that supply PT Balikpapan Chip Lestari and in a plantation concession and two selective logging concessions held by RGE-linked companies in South Papua and West Papua. It is argued that the development of the Phoenix mill – together with planned capacity expansion at PT Riau Andalan Pulp & Paper in Kerinci, Riau Province – could put portions of these forests at immediate risk.

Given these risks, a summary of the report’s findings were shared with APRIL’s Stakeholder Advisory Committee (SAC) – a group of six individuals including World Resource Institute’s Director of Forests and a former Director General of Indonesia’s Ministry of Environment and Forestry – and the global accounting firm KPMG, which monitors APRIL’s adherence to its sustainability commitments. However, both SAC and KPMG responded that their respective mandates are limited to monitoring the fiber supply chain for APRIL’s Kerinci mill and that the scope of their assessments does not include the broader RGE Group or other mills.

The aim of the report is to raise awareness of specific and documented risks associated with the RGE Group, which until now have not been clearly articulated in the public domain. These risks are apparently going unmonitored by the bodies that RGE-subsidiary APRIL has established to assure financiers, customers, government bodies, and the broader public that its own operations in Indonesia are consistent with the company’s sustainability commitments. This report does not allege, and should not be construed to allege, that any of the companies or individuals named in this report have committed legal or regulatory violations in Indonesia or any other jurisdiction. It does raise serious concerns that warrant greater scrutiny and enhanced due diligence from government authorities, financiers, consumer brands, forest-product certification bodies, as well as local communities, civil society, consumers of APRIL products, and the broader public.
Methods and Data

This report relies on three main types of data and analysis: geo-spatial remote sensing, supply chain tracking, and mapping of corporate structures.

GEO-SPATIAL REMOTE SENSING

The spatial analysis has been conducted by TheTreeMap for the Nusantara Atlas and is used with TheTreeMap's permission. Nusantara Atlas “tracks deforestation annually over two decades, to calculate the past deforestation footprint of companies and creates the clearest picture of the relationship between the loss of natural forests (deforestation) and the development of plantations by linking maps of plantations expansion and associated forest conversion with updated concession maps.”

To achieve this monitoring of forests and plantation development, Nusantara Atlas “brings satellite images (Planet/ NICFI, Sentinel-2, Landsat, NOAA-20, S-NPP, Aqua and Terra), near-real-time deforestation alerts (RADD; GLAD), fire hotspots (VIIRS and MODIS) and rich cadastral information in one space.” The deforestation data for 2001 to 2021 in Nusantara Atlas are based on a corrected version of the annual Tree Loss dataset (v.1.8) developed by Hansen et al. (2013), and a base map of forest cover from Gaveau et al. (2021) for Papua and from Margono et al. (2014) for the rest of Indonesia. The corrections made to Hansen's data are described in Gaveau et al. (2021 and 2022). The 2022 deforestation update in the concessions was done by delineating the boundaries of new plantations using Planet images and visual, expert-based interpretation methods inside maps of pulpwood concessions.

The producer of Nusantara Atlas, TheTreeMap, is recognized as a leader in the field of forest monitoring platforms. Moreover, Nusantara Atlas is a publicly-accessible platform, so it allows easy and free access to the geospatial images and analysis contained in this report. For the present study, Nusantara Atlas was used to calculate the area of deforestation, during the period 2016–2022, within the concession boundaries of nine forestry companies in Kalimantan known to have supplied wood to PT Balikpapan Chip Lestari during 2021–2022. In addition, Nusantara Atlas was used to calculate the area of natural forest cover, as of January 1, 2023, within the plantation concessions of these nine wood suppliers to PT Balikpapan Chip Lestari and a forest plantation concession and two selective logging concessions in Papua and West Papua, which are affiliated with the RGE Group.

SUPPLY CHAIN TRACKING

The supply chain analysis incorporates mill-level wood supply data, together with export records and shipping vessel routes. The wood supply data is from official Indonesian government records of timber used

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by individual wood processing industries (Rencana dan Realisasi Pemenuhan Bahan Baku Industri Primer Hasil Hutan Kayu). For the analysis of woodchip production by PT Kutai Chipmill and, after the company changed names in December 2019, PT Balikpapan Chip Lestari, these records provide the names of wood suppliers and the volumes of wood provided by each supplier during a particular year.

The Indonesia export records were obtained from a commercial trade data provider, and for each shipment, these records include the names of the exporter and importer, the ports where the goods were loaded and unloaded, the weight and value of the goods, and the name of the vessel. This data was cross-checked with official government export records, available through the information system on legality certification for wood products (Sistem Verifikasi Legalitas Kayu) maintained by Indonesia’s Ministry of Environment and Forestry. The historical vessel routes were obtained from a commercial data provider in the form of time-stamped GPS coordinates documenting the location of a specific commercial shipping vessel at a particular point in time.

**MAPPING OF CORPORATE STRUCTURES**

The analysis of corporate structures for PT Balikpapan Chip Lestari, PT Phoenix Resources International, and other operating companies mentioned in this report is based on a review of corporate profiles published by the Directorate General of Public Law and Administration (Direktorat Jenderal Administrasi Hukum Umum), in the Government of Indonesia’s Ministry of Law and Human Rights (Kementerian Hukum dan Hak Asasi Manusia). These profiles include lists of shareholders, directors, and commissioners for each of the companies domiciled in Indonesia.

For each corporate entity, the composition of shareholders, directors, and commissioners was analyzed to identify potential links to APRIL and/or the RGE Group. In cases where equity in one company is held by another corporate entity, the ownership and officers of that holding company were analyzed to identify such links. The names of commissioners and directors for each of the entities analyzed were cross-referenced with the names of individuals who have been reported to serve (either currently or in the past) as shareholders, corporate officers, or employees of APRIL, RGE, their operating companies, and/or other companies affiliated with APRIL or RGE. It must be acknowledged that multiple individuals could hypothetically have the same name, particularly in the case of common names. When possible, birthdates have been matched between corporate registry documents and other sources to minimize the chances of mixing up individuals who have the same name.

To guide this report’s determinations of corporate control, the definition of “corporate group” from the Accountability Framework Initiative was used: “The totality of legal entities to which the company is affiliated in a relationship in which either party controls the actions or performance of the other.”

The Forest Stewardship Council, in December 2022, adopted this understanding of corporate control into its Policy for Association. RGE, in April 2022, acknowledged the Accountability Framework Initiative’s definition of “corporate group”, “as part of its commitment to align with industry frameworks for ethical supply chains.”

To establish a commonly-accepted approach of applying the Accountability Framework Initiative’s definition of “corporate group”, a methodology to establish common corporate control was recently published by Greenpeace International in collaboration with other advocacy and research organizations. A number of the techniques used in this report’s corporate structure analysis are documented in this methodology document.

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Royal Golden Eagle Group – Overview

RGE’S OPERATIONS IN THE PULP, PAPER, AND VISCOSE SECTORS

Indonesia

The Royal Golden Eagle Group is one of the world’s largest producers of wood pulp and products that are made from it: printing paper, tissue, packaging, and viscose rayon. APRIL is RGE’s pulp and paper business unit in Indonesia, operating the PT Riau Andalan Pulp & Paper (RAPP) mill in Kerinci, Riau Province on the island of Sumatra. One of the biggest mills in the world, RAPP has an annual production capacity of 3.0 million tons of wood pulp and consumes around 15 million cubic meters ($m^3$) of wood per year.15 RAPP manages 338,228 ha of concession area in Sumatra, and the mill sources wood from other suppliers in Sumatra and Kalimantan with a total concession area of 1,126,213 ha, according to the Nusantara Atlas.16

The pulp mill operated by PT Toba Pulp Lestari Tbk in North Sumatra is reportedly owned by RGE’s controlling shareholder, Sukanto Tanoto, and operates as a sister mill to RAPP.17 The Toba Pulp Lestari mill reportedly produced 198,429 tons of pulp in 2022,18 and it manages an industrial woodfiber concession (HTI) in Sumatra of 167,912 ha.19

At APRIL’s mill complex, paper and viscose are produced from some of the pulp, while other portions of its pulp output are exported to RGE’s operations in China for further processing (see below). PT Asia Pacific Rayon is an RGE-owned viscose producer in Indonesia that is located in the same site as the APRIL mill in Kerinci, Riau. With current production capacity of 240,000 tons per year since starting its viscose rayon line in 2020, Asia Pacific Rayon plans to increase production to 600,000 tons per year by 2023 to become, in its own words, “the world’s largest single-site integrated viscose manufacturing facility, seamlessly integrating dissolving wood pulp from APRIL’s renewable fiber plantations.”20

China

Outside Indonesia, RGE also has significant pulp, paper and viscose operations in China and Brazil. In China, RGE-owned Asia Symbol has pulp and paper facilities in Rizhao (Shandong Province) and Xinhui (Guangdong Province) with a combined capacity of 2.2 million tons of pulp, 600,000 tons paperboard, and 1.5 million tons of fine paper.21 Established in 2005, Asia Symbol’s products are primarily, bleached hardwood kraft pulp

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(BHKP), northern bleached kraft pulp (NBKP), liquid packaging board, high grade ivory board, and uncoated woodfree printing and fine paper.\textsuperscript{22}

Also located in China, RGE-owned Sateri has become the world’s largest producer of viscose fiber.\textsuperscript{23} With five mills, it produced around 1.5 million tons of viscose fiber in 2021\textsuperscript{24}, with the dissolving pulp requirement reportedly sourced primarily from APRIL’s operations in Indonesia and RGE-owned Bracell’s operations in Brazil, according to an assessment by Rainforest Alliance for a CanopyStyles report.\textsuperscript{25} Sateri’s customers apparently include textile retailers around the world, including well-known fashion brands and household retailers. In 2020, Sateri, in collaboration with Asia Symbol, commenced production of Lyocell\textsuperscript{26}, a wood pulp-based textile produced in a closed-loop process with more environmentally-friendly chemicals than conventional viscose rayon.\textsuperscript{27}

**Brazil**

In Brazil, RGE-owned Bracell has two pulp mills: one in Bahia which was acquired in 2003 and which has 500,000 tons of annual dissolving pulp capacity; and the Lwarcel mill in Sao Paulo state which was acquired in 2018 with 250,000 tons per year of pulp capacity.\textsuperscript{28} In 2021, the Lwarcel mill was reportedly upgraded to 1.5 million tons of annual dissolving pulp capacity or between 2.6 and 2.8 million tons of annual kraft pulp capacity.\textsuperscript{29} In 2019, Bracell reportedly owned 234,000 ha of plantation area in Brazil, from which it sources a substantial portion of its wood requirement.\textsuperscript{30}

**RGE’S OPERATIONS IN THE PALM OIL SECTOR**

Outside of the pulp, paper, and viscose business, RGE operates global businesses in the oil palm and energy sectors. Asian Agri is the RGE Group’s official plantation arm and one of Asia’s largest palm oil producers. Asian Agri’s website states that the company has 22 palm oil mills in Indonesia\textsuperscript{31} and operates 30 company-owned plantations in the provinces of North Sumatra, Riau and Jambi (all on the island of Sumatra) with a planted area of 100,000 hectares.\textsuperscript{32}

Apical is the RGE Group’s palm oil processing and trading division. Apical is a vertically integrated processor with 8 palm oil refineries, 3 palm kernel crushing plants, 5 oleochemical plants and 4 biofuel plants in Indonesia, China and Spain. It does not own oil palm plantations or crude palm oil (CPO) mills and is dependent on


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sourcing CPO from RGE-controlled plantation companies like Asian Agri and third-party suppliers across Indonesia. One of Apical’s palm oil refineries called PT Kutai Refinery Nusantara, is located in Balikpapan in East Kalimantan, and, according to a 2021 Rainforest Action Network report, it sourced palm oil from companies that have contributed to the conversion of over 700,000 hectares of rainforests in North and East Kalimantan.33

**Box 1. Reported sources of financing for RGE**

Data compiled by Forests & Finance, a coalition of civil society organizations, reports that during the period 2016–2022 (September), RGE received at least US$ 8.1 billion in loans and underwriting for its palm oil and pulp and paper operations in Indonesia and Brazil.34

**Largest 15 creditors to RGE palm oil and pulp operations in Southeast Asia and Brazil in the Forests & Finance database (2016–2022 September)**

![Chart showing the largest 15 creditors to RGE's palm oil and pulp operations.](image)


**RGE AND APRIL’S “NO-DEFORESTATION” COMMITMENTS AND SUSTAINABILITY POLICIES**

In early June 2015, RGE35 and APRIL36 both made commitments to eliminate deforestation from their operations and third-party supply chains (see Figure 2). These commitments are part of broader sustainability policies, in which RGE and APRIL also committed to manage peatlands responsibly and to resolve conflicts with communities.

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34 The data excludes finance directly to Chinese pulp & paper subsidiaries Asia Symbol and Sateri.


Both RGE and APRIL’s “No Deforestation” policies stipulate that forests must be categorized as High Conservation Value (HCV) or High Carbon Stock (HCS) areas to be protected under their respective policies. Their policies on the responsible management of peatlands include no new development on forested peatland.

RGE and APRIL commit to respecting the rights of indigenous peoples and local communities to give Free, Prior and Informed Consent (FPIC) for projects which involve operations on lands where these communities hold legal, communal or customary rights. Asia Symbol, RGE’s pulp and paper unit in China, has similar policies to respect community rights and prevent deforestation, with specific mention of protection for “Indonesia’s natural tropical forest” (see Figure 3). RGE’s palm oil companies Asian Agri and Apical have also adopted sustainability policies that commit to eliminating deforestation and new development on peatlands within their operations and supply chains.


Despite these references, the policies and procedures of the RGE companies are, according to the Rainforest Action Network, falling short of benchmarks for the fulfillment of FPIC rights. A recent investigation by the Rainforest Action Network also revealed Apical has failed to fully implement its policy as it has continued to purchase palm oil from mills accepting oil palm kernels illegally grown within a nationally protected wildlife reserve inside the Leuser Ecosystem in Aceh, Sumatra.

Figure 3. Excerpt from Asia Symbol’s 2020–2021 sustainability report.

APRIL has committed to achieve net-zero emissions from land use by 2030 and committed to setting corporate climate targets under the Science Based Targets Initiative (SBTi). The Forests & Finance coalition questioned major anomalies in APRIL’s data that underpins its assessment of its greenhouse gas emissions, including its calculations of the extent of fires within its concessions. In 2022, APRIL was reportedly removed from SBTi’s list of ‘Companies taking action’. APRIL remains a member of the corporate engagement program for Science Based Targets Network (SBTN), which aims to establish similar corporate targets for biodiversity.

THE FOREST STEWARDSHIP COUNCIL’S ASSESSMENT OF HARM AND FUTURE MONITORING FOR APRIL AND THE RGE GROUP

The Forest Stewardship Council will soon begin a process to end its disassociation from APRIL, under a new policy to give disassociated companies a pathway towards getting re-certified. APRIL was disassociated

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from the FSC in 2013, and since the following year has tried to regain entry. A new policy, called the Remedy Framework, provides a pathway for environmental restoration and rehabilitation, and social remediation for communities, both proportionate to the harm caused by organizations such as APRIL who have breached FSC requirements. APRIL will be one of the first test cases for the application of the Remedy Framework.

The FSC has also recently revised its ‘Policy for Association’ to address the strategy of corporate groups to evade accountability through the use of complex and opaque ownership chains. From January 1, 2023, this policy adopts a definition of “corporate group” based on the Accountability Framework Initiative and broadens the scope of responsibility to be based on “control” rather than “involvement”. The criteria in the AFI definition of “corporate group” encompasses a number of ways an organization or individual can control companies without having legal ownership. This means that FSC monitoring for future violations applies to a much wider network of companies than it has historically linked to APRIL.

For APRIL, this wider scope will also be applied retroactively to harm prior to 2023, as the FSC Board decided at its March 2023 meeting that APRIL’s “gravity or magnitude of harm” was “outstanding”. These cases “have had an exceptionally high negative impact on forests and people on-the-ground,” according to an “Advice Note” published by the FSC in February 2023. The FSC had previously published the summary of an analysis in 2020 that concluded APRIL’s wood suppliers destroyed 435,877 ha of forest (irreversible forest conversion) that was also likely High Conservation Value. The new “gravity of harm” decision triggers a wider scope of damages assessment to include APRIL and the RGE Group’s related parties – not just those companies formally under the APRIL legal hierarchy as the 2020 assessment had considered.

The analysis below highlights examples of situations involving companies under common control with APRIL and the RGE Group that the FSC, in light of its new definition of “corporate group”, must now consider in updating its assessment of APRIL’s legacy of harm. It also extends the scope of FSC’s future monitoring for violations related to APRIL to include suppliers and land banks that will feed a new mega-scale pulp mill in North Kalimantan being developed in a way that is expected to put pressure on some of Borneo’s and potentially Papua’s remaining forests.

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Controversial wood supply to RGE’s Asia Symbol mill

This section of the report documents recent deforestation in the supply chain of two RGE-linked companies: PT Balikpapan Chip Lestari, which operates a wood chip mill in Balikpapan, East Kalimantan; and Asia Symbol (Shandong) Pulp & Paper, an RGE subsidiary, which operates a pulp and paper mill in Rizhao, China.

WOOD SUPPLIERS TO THE PT BALIKPAPAN CHIP LESTARI WOODCHIP MILL

PT Kutai Chip Mill, a woodchip mill in Balikpapan, East Kalimantan, is known to have previously sent wood to Asia Symbol (Shandong) Pulp & Paper, a mill owned by the RGE Group in Rizhao in China’s Shandong Province. In December 2019, according to corporate records, the name of the company that owns the woodchip mill changed to PT Balikpapan Chip Lestari (BCL). In 2021 and 2022, after several years of inactivity, BCL received nearly 1.5 million m³ of wood from nine pulpwood suppliers in Kalimantan (see Figure 4). From this wood, the chip mill reportedly produced 580,463 bone-dried tons (BDT) of woodchips, of which 561,919 BDT was reportedly exported.

At least 90 percent of those woodchips, according to shipment-level trade data and vessel tracking reports, were sent by specialized woodchip carriers from BCL’s port to RGE’s pulp and paper mill in Rizhao: Asia Symbol (Shandong) Pulp & Paper. In response to the findings of this report, Asia Symbol acknowledged wood chip deliveries from PT Balikpapan Chip Lestari to Asia Symbol’s pulp and paper mill in Rizhao, China in 2021 and 2022, and the pulp and paper company stated that it would investigate the allegations.

DEFORESTATION IN WOOD SUPPLIER CONCESSION AREAS

Three of the nine wood suppliers to the PT Balikpapan Chip Lestari woodchip mill in 2021 and 2022, according to the Nusantara Atlas, have had significant amounts of deforestation in their industrial forest plantation concessions (Hutan Tanaman Industri, or HTI) during the period since June 2015 when RGE’s “No Deforestation” policy took effect. PT Industrial Forest Plantations manages a 101,840 ha concession in Central Kalimantan, PT Adindo Hutani Lestari has a 181,437 ha concession in North Kalimantan, and PT Fajar Surya Swadaya has a 56,211 ha concession in East Kalimantan. Collectively, 37,105 ha of deforestation...
was detected within these companies' HTI concession areas between the start of 2016 and the end of 2022, according to the Nusantara Atlas. PT Industrial Forest Plantation had the second highest deforestation in 2022 of nearly 300 industrial wood fiber concessions in Indonesia, according to findings published by TheTreeMap in the Nusantara Atlas.

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During the period 2016–2022, **PT Industrial Forest Plantation** had 21,827 ha of deforestation in its HTI concession area with annual forest loss peaking at 6,790 ha in 2022 (see Figures 5 and 6). Located in Central Kalimantan north of the provincial capital of Palangkaraya, PT Industrial Forest Plantation supplied 15,615 m$^3$ of wood to the BCL chip mill in 2022.  

Almost all of PT Industrial Forest Plantation’s concession area, including the forest that was recently cleared, is identified as Central Borneo orangutan habitat, according to data from the Ministry of Environment and Forestry (see Figure 7). The Government of Indonesia's timber royalty database indicates that almost 60,000 m³ of large-diameter (more than 30 centimeters in diameter) natural forest timber was harvested by PT Industrial Forest Plantation in 2022, though none of this was reported to enter BCL. When sent the findings of this land cover analysis, PT Industrial Forest Plantation did not respond to a request for comment.

Within PT Adindo Hutani Lestari’s HTI concession, 10,627 ha of forest loss was detected between 2016 and 2022 (see Figures 8 and 9). Located in northeast Kalimantan, PT Adindo Hutani Lestari supplied 62,105 m³ of wood to BCL in 2021. The company is also consistently one of the largest wood suppliers to APRIL’s Riau Andalan Pulp & Paper mill in Sumatra, sending 615,472 m³ of wood to the APRIL/RAPP mill in 2022. RGE and APRIL have denied that the deforestation that occurred within PT Adindo Hutani Lestari’s concession,
Figure 7. Orangutan in Central Kalimantan at the Orangutan Foundation International Care Center.

Source: Ulet Ifansasti/Greenpeace.

Figure 8. Clearance of natural forests detected inside the HTI concession area of PT Adindo Hutani Lestari, 2016–2022.

as documented in NGO[73] and media reports[74] during 2020 and 2021, amounts to a violation of RGE and APRIL’s “No Deforestation” commitments.75

When sent the findings of this land cover analysis, PT Adindo Hutani Lestari did not respond to a request for comment. APRIL responded, “In 2020, we confirmed based on evidence from spatial analysis and ground verification, that no deforestation occurred in the areas highlighted by Auriga in its report, and that there was no breach of our SFMP 2.0 commitments.”

In the HTI concession area managed by **PT Fajar Surya Swadaya**, 4,651 ha of forest loss was detected between 2016 and 2022[76], including in forest areas identified as orangutan habitat by Indonesia’s Ministry of Environment and Forestry (see Figure 11).[77] Located in East Kalimantan, PT Fajar Surya Swadaya in 2022 supplied

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Figure 10. Piles of acacia logs are loaded on a barge at a log pond inside PT Adindo Hutani Lestari’s pulpwood concession in North Kalimantan in January 2015, prior to RGE and APRIL’s 2015 “No Deforestation” commitments.

Source: Ulet Ifansasti/Greenpeace.

Figure 11. Clearance of natural forests detected inside the HTI concession area of PT Fajar Surya Swadaya in East Kalimantan, 2016–2022.

44,746 m$^3$ of wood to BCL and 54,941 m$^3$ to APRIL’s Riau Andalan Pulp & Paper mill in Sumatra. After a civil society report about deforestation in Fajar Surya Swadaya’s concession was published in 2018, RGE competitor Asia Pulp & Paper, which had also purchased wood from Fajar Surya Swadaya, acknowledged that the forest loss violated its own no-deforestation policy and dropped it as a supplier. APRIL, by contrast, denied that the deforestation amounted to a violation of its “No Deforestation” policy, and shipments of wood to the Riau Andalan Pulp & Paper mill have continued. In April 2023, the Forest Stewardship Council announced the results of an assessment that “suggested” significant conversion, i.e. greater than 10,000 ha, occurred on PT Fajar Surya Swadaya’s concession area and that of one other pulpwood supplier between 2013 and 2018.

When sent the findings of this land cover analysis, PT Fajar Surya Swadaya did not respond to a request for comment. APRIL responded, “We confirmed in 2018 that the company was an open market supplier of plantation wood. . . . Our due diligence noted that PT FSS had commissioned Tropenbos International to conduct a High Conservation Value assessment of their concessions in April 2015. This was the basis for plantation development carried out in non-HCV areas in 2016–2017.”

**WOODCHIP SHIPMENTS TO RGE’S ASIA SYMBOL MILL IN CHINA**

From the wood it received from forestry concession companies in Kalimantan, PT Balikpapan Chip Lestari reported producing 296,653 BDT of woodchips in 2021 and 283,810 BDT in 2022. Almost all of that production was reportedly exported: 291,221 BDT in 2021 and 270,698 BDT in 2022. Trade data indicates that at least 90 percent of BCL exports from Indonesia during this two year time period originated at its port in Balikpapan and were received by Asia Symbol (Shandong) Pulp & Paper in the port of Rizhao, China (see Figure 12).

A review of woodchip export data indicates that in 2021 and 2022, BCL sent at least 21 shipments to Asia Symbol totaling more than 508,000 m$^3$ of woodchips, with a declared value in excess of US$ 54 million (see Table 1). Export declarations on the Ministry of Environment and Forestry's Timber Legality Information System (Sistem Informasi Legalitas Kayu, SILK) corroborate the shipments recorded in the trade data.}

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86 This does not include sample shipments of small quantities to equipment suppliers or other mills, presumably for testing.

87 Commercial trade data provider. 2021–2022. Exports from Indonesia reported as HS Code 440122.

88 Commercial trade data provider. 2021–2022. Exports from Indonesia reported as HS Code 440122.

The woodchip shipments sent by BCL to Asia Symbol in Rizhao were first sold to one of two companies in the UAE: EPC Project Procurement DMCC and Recursos Trading DMCC.90 The Managing Director of Recursos Trading, according to corporate registry information, is Wee Ching Hok.91 He was previously a Director (from September 2015 to October 2021) of International Woodchip Corporation Pte Ltd92, which shares an address, telephone number, and fax number with APRIL’s corporate office in Singapore.93

Twelve woodchip carriers, including the MV Batavia Express (see Figure 13), are identified in the trade data as transporting 21 shipments in 2021 and 2022 (see Table 2). The vessel routes of the dozen woodchip carriers, obtained from a commercial vessel tracking data provider, confirm that they traveled from Balikpapan to Rizhao on the dates of shipments indicated in the trade data (see Figure 14).94

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95 Commercial vessel tracking data provider. 2021–2022. GPS coordinates at daily intervals for MV Batavia Express, MV Brazil Express, MV Canada Express, MV China Express, MV Eagle Express, MV Nanjing Express, MV Pine Express, MV Shandong Express, MV Shanghai Express, MV Sumatera Express, MV Surabaya Express, MV Xinhu Express. Accessed in February 2023.
Figure 13. MV Batavia Express, described by its corporate owner as the largest woodchip carrier in
the world.

Source: Nova Shipping website.

Table 2. Woodchip carriers that transported shipments of woodchips from PT Balikpapan Chip
Lestari in East Kalimantan, Indonesia to Asia Symbol in Rizhao, China during June 2021–January 2023.

<table>
<thead>
<tr>
<th>Name of vessel</th>
<th>IMO number</th>
<th>Month of shipment from Balikpapan to Rizhao</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batavia Express</td>
<td>9539987</td>
<td>Oct and Dec 2021</td>
</tr>
<tr>
<td>Brazil Express</td>
<td>9861249</td>
<td>Mar 2022</td>
</tr>
<tr>
<td>Canada Express</td>
<td>9861251</td>
<td>Jan 2022</td>
</tr>
<tr>
<td>China Express</td>
<td>9861237</td>
<td>Apr 2022</td>
</tr>
<tr>
<td>Eagle Express</td>
<td>9343431</td>
<td>Jan and Oct 2022</td>
</tr>
<tr>
<td>Nanjing Express</td>
<td>9497098</td>
<td>Aug 2021 and Apr 2022</td>
</tr>
<tr>
<td>Pine Express</td>
<td>8908765</td>
<td>Oct 2021 and Aug 2022</td>
</tr>
<tr>
<td>Shandong Express</td>
<td>8712647</td>
<td>Jun, Sep and Nov 2022 and Jan 2023</td>
</tr>
<tr>
<td>Shanghai Express</td>
<td>9539963</td>
<td>Jun and Jul 2021</td>
</tr>
<tr>
<td>Sumatera Express</td>
<td>9650444</td>
<td>Nov 2021 and Feb 2022</td>
</tr>
<tr>
<td>Surabaya Express</td>
<td>9554731</td>
<td>Nov 2021</td>
</tr>
<tr>
<td>Xinhui Express</td>
<td>9497373</td>
<td>Jul and Oct 2021</td>
</tr>
</tbody>
</table>

Commercial vessel tracking data provider. 2021–2022. GPS coordinates at daily intervals for MV Batavia Express, MV Brazil Express, MV Canada Express, MV China Express, MV Eagle Express, MV Nanjing Express, MV Pine Express, MV Shandong Express, MV Shanghai Express, MV Sumatera Express, MV Surabaya Express, MV Xinhui Express. Accessed in February 2023.
The company managing all twelve woodchip carriers, Nova Shipping & Logistics Pte Ltd, shares the address, telephone number, and fax number of APRIL’s corporate office in Singapore (see Figure 15). One of Nova Shipping’s two Directors is Lee Chong, who reports on his LinkedIn profile that his current position is Corporate Business Controller for RGE and that his employment with RGE dates back to at least 2003. Lee Chong has served as a Director for a number of RGE-related companies, including RGE Pte Ltd and its sole shareholder Peregrine Holdings Limited incorporated in Bermuda.

Asia Symbol, in response to the findings of this report, confirmed the wood chip shipments from PT Balikpapan Chip Lestari. Asia Symbol’s “Head of wood chips procurement and trading” wrote:

Asia Symbol’s Wood and Pulp Sourcing Policy and Sustainability Policy comply with RGE’s Forestry, Fibre, Pulp & Paper Sustainability Framework which commits the Group to No Deforestation and to responsible sourcing of pulp and wood chips. We apply responsible sourcing across our wood chip and pulp supply chain and are prepared to re-evaluate and terminate the relationship with a supplier who cannot or will not meet the objectives of our Wood and Pulp Sourcing Policy.

We take the allegations raised by EPN seriously that the wood chips sourced from BCL have been obtained from companies that are alleged to have committed deforestation. We have taken immediate steps to investigate the allegations and commit to undertake the necessary actions based on the findings (see Appendix X for Asia Symbol’s full response).

**Figure 15. The “Contact” webpages for Nova Shipping and APRIL showing common address, phone number, and fax number.**


**RGE CORPORATE LINKS TO PT BALIKPAPAN CHIP LESTARI**

Who owns, controls, and benefits from BCL’s operations? As detailed below, the chip mill’s ultimate beneficial owner is not known publicly because the corporate ownership chain leads to a company registered in the British Virgin Islands, where the identity of company shareholders is not available for public review.\(^99\) This obscures the identity of the ultimate beneficial owner. Still, corporate registry records and other public sources of information establish corporate links between BCL and RGE. RGE, to the best of our knowledge, has not publicly declared or denied that it is affiliated with BCL.

Indeed, based on the Accountability Framework Initiative’s definition of a corporate group, there is strong evidence that BCL and RGE are under common control. The Accountability Framework Initiative’s definition of corporate group is backed by a growing consensus that it is the standard for understanding the scope of corporate groups, as evidenced by the Forest Stewardship Council recently adopting the AFI’s definition of corporate group into its Policy for Association. RGE, in a public statement issued on April 22, 2022, said “As part of its commitment to align with industry frameworks for ethical supply chains, RGE acknowledges the Accountability Framework Initiative and its definition of ‘Corporate Group’ which includes related-party companies.”\(^100\)

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Government of Malaysia.

From the AFI’s criteria, four of eight determining factors indicate that BCL is part of the RGE Group (see Figure 16): 1) The beneficial ownership of PT Balikpapan Chip Lestari is hidden to the public using offshore companies. 2) The company shares land (a resource) with an RGE-owned palm oil company and an RGE-linked wood fiber plantation company. 3) Contractual arrangements appear to include exclusive buyer and supplier relationships with RGE-owned businesses. 4) Key management personnel have ties to RGE.

Figure 16. Excerpt from the Accountability Framework Initiative’s definition of terms.

Hidden beneficial ownership

PT Balikpapan Chip Lestari is owned by corporate shareholders registered in Malaysia – BCL Industrial Sdn Bhd and Great Mahakam Sdn Bhd – apparently at an address of a corporate services firm (see Figure 17).

Figure 17. The office where PT Balikpapan Chip Lestari’s direct shareholders are registered is on the 6th Floor, Plaza First Nationwide in Kuala Lumpur.

Source: Site visit in April 2023.
The shareholder of the Malaysian companies, BCL Industrial Sdn Bhd and Great Mahakam Sdn Bhd, is Taroko Investment Holdings Limited, incorporated in the British Virgin Islands (see Figure 18). The British Virgin Islands Financial Services Authority, which manages the central corporate registry, does not publicly share the identity of company shareholders.

Figure 18. Corporate shareholder structure of PT Balikpapan Chip Lestari, as of February 2023.


Shared resources

BCL shares the location of its woodchip mill in Balikpapan with two other businesses: One is a palm oil refinery, PT Kutai Refinery Nusantara, owned by Apical, RGE’s palm oil processing company (see Figures 19 and 20). The other is PT Kalimantan Prima Services Indonesia, which has links to RGE through its current shareholder entities, PT Kreasi Lestari Pratama and PT Anugrah Hijau Lestari, as well as past corporate officers (see corporate mapping section below).

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Figure 19. Map showing locations of PT Balikpapan Chip Lestari, PT Kutai Refinery Nusantara, and PT Kalimantan Prima Services Indonesia.

Source: GoogleMaps.com, accessed in February 2023 (1°10'45.2"S 116°47'20.8"E).

Figure 20. Excerpt from Apical’s webpage.

Trade arrangements

Top wood supplier relationship is RGE-owned plantation:

BCL’s top wood supplier in the last two years, reportedly delivering over one-half million cubic meters of wood, is an RGE-owned company, PT ITCI Hutani Manunggal.\(^{106}\) PT ITCI Hutani Manunggal was also the chip mill’s largest wood supplier in 2016 and 2017 when the mill was operated under the name of PT Kutai Chip Mill.\(^{107}\)

Exclusive buyer is RGE-owned pulp and paper mill:

Trade data indicates that in the last two years BCL exported woodchips to only one company, Asia Symbol (Shandong) Pulp & Paper.\(^{108}\) Prior to December 2019, when the mill was operated under the name PT Kutai Chip Mill,\(^{109}\) the mill also supplied woodchips to Asia Symbol, as reported by APRIL in 2016 (see Figure 21).\(^{110}\)

Figure 21. Excerpt from APRIL’s Stakeholder Advisory 2016 meeting notes regarding PT Kutai Chip Mill’s wood supply to Asia Symbol.

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11. Update on Royal Golden Eagle (RGE) Group:

- Per SAC’s request, APRIL gave a brief presentation about RGE Group and the broad overview of each business group;
- RGE is a management service company to a group of resource-based manufacturing companies (“business groups”). RGE is a separate entity and does not own business groups. RGE is paid a management fee by business groups;
- RGE’s Sustainability Framework applies to fibre business groups (i.e. APRIL, Asia Symbol, Toba Pulp Lestari, Bracell, Sateri) and their suppliers;
- APRIL clarified that: PT. ITCI Hutani Manunggal (RGE owned) and PT. Adindo Hutan Lestari are suppliers to Kutai Chip Mill (KCM) – which supplies wood chip to Asia Symbol. PT. ITCI Hutani Manunggal and PT. Adindo Hutan Lestari are also Short Term suppliers to APRIL. SAC notes that PT. ITCI Hutani Manunggal and PT. Adindo Hutan Lestari need to be in full compliance with SFMP 2.0.


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Management with ties to RGE

A current Director of PT Balikpapan Chip Lestari, Zulkifli, has a reported address at Komplek PT RAPP, located at APRIL’s pulp and paper mill complex in Kerinci, where PT Riau Andalan Pulp & Paper is situated (see Figure 22). APRIL’s website states, “Riau Andalan Pulp and Paper (PT. RAPP) is the operating arm of APRIL in Riau.”

Hery Susanto was a Commissioner of PT Balikpapan Chip Lestari from May 2013 until January 2018, according to official corporate registry documents. His LinkedIn profile indicates that he was a “Senior Financial Controller” for RGE from July 2010 until August 2018 based in Balikpapan, East Kalimantan (see Figure 23). In December 2016 while still a Commissioner of BCL, Hery Susanto became a Commissioner of ITCI Hutani Manunggal, a company that RGE/APRIL acknowledges that it owns.

The chip mill’s current President Director is Lina Bustam, who until 2019 was a Director of PT Toba Pulp Lestari (see Figure 24), which operates a pulp mill in North Sumatra and is acknowledged by RGE to be a related party.

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Figure 23. LinkedIn profile of Hery Susanto, former Senior Financial Controller for RGE.

![LinkedIn profile of Hery Susanto](https://id.linkedin.com/in/hery-susanto-b38aa920)


Figure 24. Excerpt from PT Toba Pulp Lestari Tbk’s 2019 Annual Report.


Employee descriptions on LinkedIn

In his employment profile on LinkedIn, Febri Setiawan, a “Senior Project Controller” at Kalimantan Fiber reports having provided services to PT Balikpapan Chip Lestari, PT Kutai Chip Mill, and PT Adindo Hutani Lestari, each of which is described as “RGE Group” (see Figure 25). 119

Figure 25. LinkedIn profile of a “Senior Project Controller” at Kalimantan Fiber.


Ong Leon Chuan (aka Leong Chuan ONG), a Commissioner of BCL from December 2019 until April 2021 previously worked at APRIL as Head of wood chip procurement, before becoming the mill coordinator at Kutai Chip Mill between July 2012 and June 2014, according to his LinkedIn profile (see Figure 26). Chuan described one of his accomplishments with reference to Kutai Chip Mill and the pulp mill in China it supplies as being part of the same corporate group: “Improved the chip quality and consistently ranked as the top supplier to our pulpmill in China” (bold type added for emphasis). After working at Kutai Chip Mill, Ong Leong Chuan reported working at PT Kalimantan Prima Services, an RGE-linked company which shares a location with BCL and an RGE-owned Apical refinery, as noted above.

Both the RGE Group and PT Balikpapan Chip Lestari were sent the findings of corporate connections presented above and the determination that these connections indicate BCL and RGE are under common control. Neither RGE nor BCL responded to a request for comment on the findings and determination of common control.

Figure 26. LinkedIn profile for former BCL Commissioner and former PT Kutai Chip Mill woodchip mill coordinator.


The Phoenix pulp mill project in Tarakan, North Kalimantan

PULP MILL PLAN AND INITIAL LOCAL IMPACTS

A new pulp mill owned by PT Phoenix Resources International, a company incorporated in Indonesia, is being developed on the small island of Tarakan in North Kalimantan. The mill will reportedly produce semi-chemical pulp, according to the environmental impact assessment (Analisis Mengenai Dampak Linkungan, AMDAL) for the project. The AMDAL, completed in early 2023, indicates that the mill will be built in two phases over a period of 72 months.\textsuperscript{123}

According to the AMDAL, each phase will involve the construction of a pulp production line with a capacity of 850,000 tons/year, for a total capacity of 1.7 million tons/year upon completion.\textsuperscript{124} However, a letter from the Ministry of Environment and Forestry to the directors of PT Phoenix Resources International, dated 5 October 2021, indicates that the company has applied for permits to construct a pulp mill with a total production capacity of 2,520,000 tons/year.\textsuperscript{125}

Information from the Ministry of Environment and Forestry’s AMDAL tracking system indicates that the process of environmental licensing was initiated in January 2022 (see Figure 27).\textsuperscript{126} Based on observations from a site visit in December 2022 and monitoring by satellite imagery, development of the mill is still in the early stages (see Figure 28 and 29). A Ministry of Environment and Forestry map published in 2021 indicates that a portion of the PT Phoenix Resources International construction site includes an area of mangroves.\textsuperscript{127}

Despite the project still being at an early stage, the local impacts of the construction process are already being felt by the local community around the site. The mill is being built on the west coast of Tarakan Island near to the district of Juata Permai, a few kilometers from the town of Tarakan.

According to community members, the main road near the location is often damaged from trucks moving landfill from nearby excavation spots to the construction site (see Figure 30).\textsuperscript{128} The damaged roads and subsequent closures have reportedly caused some members of the local community to protest the situation.

Figure 27. Status updates on PT Phoenix Resources International's environmental impact assessment report.

<table>
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<tr>
<th>No.</th>
<th>Tanggal Surat Keluar</th>
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<th>Perusahaan</th>
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<td>Phoenix Resources International</td>
<td>Hasil Formulir Administrasi Formulir KA PT Phoenix Resources International</td>
</tr>
</tbody>
</table>


Figure 28. Construction site of PT Phoenix Resources International in Tarakan, North Kalimantan in December 2022.

Source: Environmental Paper Network (3°22'57.55"N–117°31'15.94"E)
A first protest was held in October, organized by local students. Two more protests were held by villagers of Juata Permai in November and December 2022. According to several community members, the company promised to fix the damage, but the situation did not improve.

Residents, interviewed for this report in January 2023, also expressed concerns about the environmental degradation causing damage to their health and to the agricultural gardens from earth moving operations as well as the amount of dust generated by the heavy truck traffic. Local media stories have reported the allegation that excavation and construction work was conducted without the necessary permits and involved other irregularities.

The Director of PT Phoenix Resources International was sent the findings of this report as pertaining to the Phoenix mill’s development and plans. PT Phoenix Resources International did not respond to a request for comment on these findings.

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PT PHOENIX RESOURCES INTERNATIONAL’S CORPORATE STRUCTURE AND LINKS TO RGE

Who owns, controls, and stands to benefit from the Phoenix mill? The ultimate beneficial owner of the pulp mill is obscured, but corporate records and other publicly-available sources provide strong indications that, based on the AFI definition of corporate group, PT Phoenix Resources International is under common control with PT Balikpapan Chip Lestari (BCL) and RGE. The RGE Group, PT Phoenix Resources International and PT Balikpapan Chip Lestari were sent a summary of the findings presented below and the determination of common control, but none of the three parties responded to requests for comment on the findings prior to publication.

PT Phoenix Resources International was established on June 2, 2021 with a registered address in Tarakan City, in Indonesia’s North Kalimantan Province. However, the company’s chain of ownership leads to a parent company in the Cayman Islands, an offshore financial center where the identity of company shareholders is not available at public request (see Figure 32).

Phoenix’s majority shareholder is Chung Hua United Resources Sdn Bhd, a company established in Malaysia on April 5, 2021. Phoenix’s minority shareholder, Chung Hua United Capital Sdn Bhd, is owned by the majority shareholder. The majority shareholder is, in turn, owned by Phoenix Resources Holdings Limited, a company established in the Cayman Islands on May 20, 2021.

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The registered shareholder of the Cayman Islands company is not identified in publicly-available documents, although a number of corporate details indicate Phoenix’s links to the woodchip mill, BCL, in Balikpapan and the involvement of RGE.

- Phoenix’s Commissioner, Ivan Chandra, is also the Commissioner of BCL (see Figure 33).\(^\text{139}\)

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A current Director of Phoenix (starting in October 2022), Sardion Sihombing, was a Director of BCL from January 2020 until May 2022 (see Figure 34). Until December 2019, according to his LinkedIn profile, Sardion Sihombing was a Project Cost Controller for PT Toba Pulp Lestari Tbk, a pulp mill in North Sumatra acknowledged by RGE to be a related party. Prior to his employment at Toba Pulp beginning in January 2018, Sardion Sihombing was reportedly employed at other RGE companies since 2004.

Figure 34. Current Director of PT Phoenix Resources International is a former Director of PT Balikpapan Chip Lestari and a former employee of PT Toba Pulp Lestari Tbk.

Legend
- Director
- Former Director
- Former employee
- Pulp mill
- Woodchip mill
- Person

Sources: Ministry of Law and Human Rights, Government of Indonesia; LinkedIn.

Note: The public activity in the last year on Sardion Sihombing's LinkedIn account is almost exclusively “likes” of RGE/APRIL events, particularly ones involving the RGE founder's son and current RGE executive, Anderson Tanoto.
Phoenix’s two corporate shareholders in Malaysia – Chung Hua United Resources Sdn Bhd and Chung Hua United Capital Sdn Bhd – have the same two Directors, Tang Hong Hwee and Cheah Seng Keong, as BCL’s majority shareholder in Malaysia (see Figure 35).\footnote{Companies Commission of Malaysia. 2023. “Chung Hua United Capital Sdn Bhd”. Corporate profile, Government of Malaysia, accessed in February 2023.} Tang Hong Hwee is also the Director of BCL’s minority shareholder in Malaysia.\footnote{Companies Commission of Malaysia. 2023. “Chung Hua United Resources Sdn Bhd”. Corporate profile, Government of Malaysia, accessed in February 2023.}

Figure 35. Common Directors of PT Phoenix Resources International and PT Balikpapan Chip Lestari corporate shareholders in Malaysia.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure35.png}
\caption{Common Directors of PT Phoenix Resources International and PT Balikpapan Chip Lestari corporate shareholders in Malaysia.}
\end{figure}

\textbf{Legend}
- Director
- Majority shareholder
- Minority shareholder
- Pulp mill
- Woodchip mill
- Malaysia company
- Person

Sources: Ministry of Law and Human Rights, Indonesia; Companies Commission of Malaysia.


A founding shareholder and director of Chung Hua United Resources Sdn Bhd and Chung Hua United Capital Sdn Bhd, Chew Chong Pan, is a Director, as of February 2023, of BCL’s indirect shareholder, Taroko Investment Holdings Limited, and a former Director of PT Adindo Hutani Lestari’s shareholder, Bioenergy Enterprises Sdn Bhd (see Figure 36). He was reportedly employed by RGE between 2007 and 2014.

Figure 36. Chew Chong Pan’s relationship to PT Phoenix Resources International and PT Balikpapan Chip Lestari.

Sources: Ministry of Law and Human Rights, Indonesia; Companies Commission of Malaysia, British Virgin Islands Financial Services Commission, RGE Group website, Apical letter to Aidenvironment.

Note: The information presented in this chart is current as of February 2023 and may not be comprehensive of all directors and shareholdings for the companies shown. Shareholdings and directorships may be based on historic data where indicated.


Phoenix’s corporate shareholders in Malaysia incorporated the company in May 2021 at the same office address, Room 1, 3rd floor Wisma Kwong Siew in Kuala Lumpur, as BCL’s corporate shareholders previously used (see Figure 37). This office is the location of a corporate services firm, and outside the small office there is a list of more than 400 companies that are registered at that office (see Figure 38). As of February 2023, Phoenix’s corporate shareholders have the same “business address” as BCL’s corporate shareholders on the 5th floor of Setiawalk, a building in Puchong, Malaysia (see Figure 39). It is noted that the use of an address at a corporate services firm is a common practice and does not necessarily indicate any improper or illegal activity.

Figure 37. Malaysian corporate shareholders of PT Phoenix Resources International and PT Balikpapan Chip Lestari shared a “registered” office and currently share a “business” office.

Legend

- Business address
- Former registered address
- Majority shareholder
- Minority shareholder
- Office in Kuala Lumpur
- Pulp mill
- Woodchip mill
- Malaysia company
- Person

Sources: Ministry of Law and Human Rights, Indonesia; Companies Commission of Malaysia.

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Figure 38. Registered address for the corporate shareholders of both PT Phoenix Resources International and PT Balikpapan Chip Lestari in 2021 at Wisma Kwong Siew in Kuala Lumpur.

Figure 39. “Business address” of the corporate shareholders of both PT Phoenix Resources International and PT Balikpapan Chip Lestari, as of February 2023.

| Business Address | I-01-05, 5TH FLOOR, BLOCK I SETIAWALK, PERSIARAN WAWASAN PUSAT BANDAR PUCHONG PUCHONG SELANGOR |

Source: Companies Commission of Malaysia, building and office photos from site visit in April 2023.

Note: Receptionist at this location indicated that all offices for this address were currently vacant and available for rent and that the “address” could also be rented.
The address at Phoenix’s current registered address is similar to the office at its previous one: a corporate services firm appears to occupy the office, and outside is a list of around 500 companies that are apparently registered at the modest office (see Figure 40). BCL’s registered address as of February 2023 is in the same building, two floors below where Phoenix is registered. It is noted that the use of an address at a corporate services firm is a common practice and does not necessarily indicate any improper or illegal activity.

Figure 40. Photos of PT Phoenix Resources International and PT Balikpapan Chip Lestari’s office location in Kuala Lumpur.

Source: Building and office photos from site visit in January 2023.
PT Phoenix Resources International and PT Tarakan Chip Mill (TCM) share an address\textsuperscript{150} and appear to operate at the same construction site on Tarakan island.\textsuperscript{151,152} TCM’s complex corporate ownership chain indicates numerous links to RGE, including companies that were previously owned by RGE founding Chairman Sukanto Tanoto and others that shared an address with APRIL's head office in Jakarta (see Figure 41).\textsuperscript{153}

**Figure 41. Shareholders, corporate officials and addresses related to PT Tarakan Chip Mill at present and historically.**

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**Legend**
- Majority shareholder
- Minority shareholder
- Former shareholder
- Subsidiary
- Director
- Commissioner
- Former Director
- Registered address
- Former registered address
- Shared location
- Founder and Chairman
- Employee
- Indonesia company
- Office in Jakarta
- Pulp mill
- Pulpwood supplier
- APRIL pulpwood supply partner
- Pulp and Paper Group
- Conglomerate
- Housing complex
- Person

**Sources:** Ministry of Law and Human Rights, Government of Indonesia; PT Toba Pulp Lestari Tbk Annual Reports; RGE Group website; APRIL Supplier List; LinkedIn.

**Note:** The information presented in this chart is current as of February 2023 and may not be comprehensive of all directors and shareholdings for the companies shown. Shareholdings and directorships may be based on historic data where indicated.


\textsuperscript{151} As observed on a site visit in January 2023.

\textsuperscript{152} Confirmation was obtained from conversations with local media sources that the respective locations of PT Tarakan Chip Mill and PT Phoenix Resources International are side-by-side.

Taken together, the common management personnel and shared office locations between PT Phoenix Resources International, the company developing a pulp mill in North Kalimantan, and PT Balikpapan Chip Lestari, the company with a woodchip mill in East Kalimantan, strongly indicate that these are entities under common control (see Figure 42). In a previous section to this report on RGE’s corporate links with PT Balikpapan Chip Lestari, it was determined that the evidence strongly indicates PT Balikpapan Chip Lestari is under common control with the RGE Group, according to the Accountability Framework Initiative’s definition of “corporate group”. Therefore, the evidence also strongly indicates that PT Phoenix Resources International and the RGE Group are under common control. The link between PT Phoenix Resources International and PT Tarakan Chip Mill, given PT Tarakan Chip Mill’s extensive links with the RGE Group, provides further support for the determination that PT Phoenix Resources International and the RGE Group are under common control.

Figure 42. PT Phoenix Resources International’s corporate structure and links to PT Balikpapan Chip Lestari and the RGE Group.

Legend
- Majority shareholder
- Minority shareholder
- Former shareholder
- Subsidiary
- Director
- Commissioner
- Former Director
- Former Director and shareholder
- Former Commissioner
- Registered address
- Former registered address
- Shared location
- Founder and Chairman
- Employee
- Former employee
- Indonesia company
- Malaysia company
- British Virgin Islands company
- Cayman Islands company
- Office in Kuala Lumpur
- Office in Jakarta
- Pulp mill
- Woodchip mill
- Palm oil refinery
- Pulpwod supplier
- APRIL pulpwod supply partner
- Plantation services company
- Pulp and Paper Group
- Palm Oil Group
- Conglomerate
- Housing complex
- Person

Sources: Ministry of Law and Human Rights, Government of Indonesia; Companies Commission of Malaysia; British Virgin Islands Financial Services Commission, PT Toba Pulp Lestari Tbk Annual Reports; RGE Group website; APRIL Supplier List; Apical letter to Aidenvironment; LinkedIn.

Note: The information presented in this chart is current as of February 2023 and may not be comprehensive of all directors and shareholdings for the companies shown. Shareholdings and directorships may be based on historic data where indicated.
PROJECTED WOOD REQUIREMENT

The Environmental Impact Assessment for PT Phoenix Resources International’s project in Tarakan indicates that each of the mill’s two planned pulp production lines will require 1,680,000 green metric tons (GMT) of wood to produce 850,000 tons/year of semi-chemical pulp. This implies a conversion factor of approximately 1.98 GMT per ton of semi-chemical pulp. \(^{154}\)

The AMDAL projects that during Phase I, the mill will operate pulp line #1 at full capacity beginning in 2024, thereby consuming 1,680,000 GMT per year of pulpwood. During Phase II, pulp line #2 is projected to start operating in 2027 and to be at full capacity by the following year. Assuming that both pulp lines are semi-chemical pulp and operate at the same efficiency levels, the mill is projected to require 3,360,000 GMT per year of pulpwood from 2028 onward (see Table 3).

Over the nine-year period, 2024–2032, the Phoenix mill is projected to consume just under 25.0 million GMT of wood to produce 12.5 million tons of semi-chemical pulp (see Table 3). At a conversion rate of 1.142 cubic meters (m\(^3\)) per GMT, this is equivalent to 28.5 million m\(^3\) of wood.

### Table 3. Projected pulpwood requirement of PT Phoenix Resources International’s Tarakan pulp mill, 2024–2032.

<table>
<thead>
<tr>
<th>Pulp Grade</th>
<th>Unit</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp Line 1</td>
<td>Semi-chemical</td>
<td>Tons</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>7,650,000</td>
</tr>
<tr>
<td>Pulp Line 2</td>
<td>Semi-chemical</td>
<td>Tons</td>
<td></td>
<td>637,500</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>4,887,500</td>
</tr>
<tr>
<td>Total Pulp</td>
<td>Semi-chemical</td>
<td>Tons</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
<td>1,487,500</td>
<td>1,700,000</td>
<td>1,700,000</td>
<td>1,700,000</td>
<td>1,700,000</td>
<td>12,537,500</td>
</tr>
<tr>
<td>Wood Conversion</td>
<td>GMT/Ton</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
</tr>
<tr>
<td>Total Pulpwood</td>
<td>GMT</td>
<td>1,683,000</td>
<td>1,683,000</td>
<td>1,683,000</td>
<td>2,945,250</td>
<td>3,366,000</td>
<td>3,366,000</td>
<td>3,366,000</td>
<td>3,366,000</td>
<td>3,366,000</td>
<td>24,824,250</td>
</tr>
</tbody>
</table>


The AMDAL provides few details concerning where Phoenix will obtain this volume of wood. The assessment indicates that most of this wood will be supplied by 12 suppliers; however, the names and locations of these supplier companies are not provided.

Other than the wood requirement projection, the AMDAL provides no impact analysis of the upstream timber operations as affected by the downstream processing plan.

DEFORESTATION RISK IN KALIMANTAN AND PAPUA

PT Phoenix Resources International’s development of a mega-scale pulp mill on Tarakan island is likely to pose new threats to natural forests in Kalimantan and Papua. Wood is a pulp mill’s primary raw material, and a mill producing on the scale projected by Phoenix will need approximately 3.9 million cubic meters of wood per year. That is equivalent to about 100,000 truckloads of wood every year that the pulp mill operates at

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\(^{154}\) The Environmental Impact Assessment provides no explanation of the empirical basis for its use of this conversion factor. An industry source indicates that production of one ton of Bleached Chemical Thermo-Mechanical Pulp (BCTMP) typically requires 2.7 m\(^3\) of wood, or approximately 2.4 GMT.
its designed capacity. This demand for wood will put a structural pressure on the surrounding landscape to produce sufficient volumes of fiber for many decades to come.

In Sumatra, the steady expansion of pulp processing since the late-1990s drove deforestation on a massive scale. Since 1994, the total forest cover change within APRIL’s and APRIL’s “supply partners”’ concessions is 531,350 ha, according to the Forest Stewardship Council (see Figure 43). The forest clearance provided “mixed tropical hardwood” (MTH) logs to APRIL’s pulp mill and established monoculture plantations of Acacia and Eucalyptus.

**Figure 43. In May 2014, excavators worked near a recently deforested area in the concession area of PT Riau Andalan Pulp & Paper, APRIL’s largest wood supplier, in Riau Province.**

It is common practice in the pulp industry to build a mill close to its wood supply, as delivered wood cost is a key driver of a mill’s overall cost-competitiveness. With the construction of the Phoenix mill in Tarakan, it is reasonable to assume that the mill’s significant demand for pulpwood logs will drive new clearing of natural forests and the development of new areas of monoculture pulpwood plantations within a commercial distance of the mill site. In this way, the forests in North Kalimantan and the surrounding provinces in Kalimantan, Sulawesi, and Papua, as well as across the border in the Malaysian state of Sabah, may be threatened. And the most at-risk forests are those within forestry concessions already controlled by or linked to RGE and its long-term suppliers (see Figure 44).

The remaining natural forest in the three existing suppliers analyzed above – PT Industrial Forest Plantation, PT Adindo Hutani Lestari, and PT Fajar Surya Swadaya – is just over 100,383 hectares according to Nusantara Atlas.\(^{155}\) PT Tanjung Redeb Hutani, in East Kalimantan, was expected to supply 35,000 m\(^3\) of wood to BCL in 2022 but reportedly did not

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delivered any.156 Previously, between 2015 and 2017, PT Tanjung Redeb Hutani supplied wood to APRIL’s pulp mill, PT Riau Andalan Pulp and Paper.157 Given BCL’s planned supply from PT Tanjung Redeb Hutani and APRIL’s history of sourcing wood from the company, its concession area is included in this forest risk analysis. PT Tanjung Redeb Hutani has 76,813 ha of natural forest remaining in its concession, according to the Nusantara Atlas.

**Figure 44. Map of RGE-linked forestry concessions, PT Balikpapan Chip Lestari, and Phoenix pulp mill.**


An RGE-linked company named PT Kesatuan Mas Abadi owns a HTI concession in the Teluk Bintuni District of West Papua Province, which has 79,548 ha of natural forest remaining according to Nusantara Atlas (see Figure 44). PT Kesatuan Mas Abadi’s shareholders, as of February 2023, are two RGE-owned mills under Apical: PT Kutai Refinery Nusantara and PT Sari Dumai Sejati.158 PT Kesatuan Mas Abadi has a HTI license for 99,609 ha south of Bintuni Bay, and 80% of the area (79,548 ha) has natural forest according to Nusantara Atlas.

Two RGE companies, PT Damai Setiatama Timber and PT Mukti Artha Yoga, also own HPH (Hak Pengusahaan Hutan) selective-logging concessions in the Mappi District of South Papua Province,159 which together have remaining natural forest of 381,233 ha according to Nusantara Atlas (see Figures 45 and 46). Under the Government of Indonesia’s controversial Omnibus Law passed in 2021, selective logging concessions can now be converted to multi-use forestry licenses that incorporate monoculture silviculture of pulpwood species.160

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Together, these forestry concessions in the regions of Kalimantan and Papua contain 637,933 ha of natural forest according to Nusantara Atlas, an area ten times as large as Indonesia’s capital city of Jakarta. These may not be the only forest areas threatened by wood demand from the Phoenix pulp mill project in North Kalimantan, but they are likely to be among the first, given RGE’s links to the companies holding these forestry concessions.

RGE was sent a summary of this report’s findings on its links to forestry concessions in the provinces of West Papua and South Papua and others presented above relating to natural forest cover, but it did not respond to a request for comment prior to publication. Similarly, PT Phoenix Resources International did not respond to a request for comment on the finding that its projected wood demand would likely put pressure on natural forests in Kalimantan and Papua.

APRIL’s Stakeholder Advisory Committee and KPMG were also presented with these findings and given an opportunity to comment prior to publication. Responding generally to the findings of the report, one of the SAC’s co-chairs, Dr. Jeffrey Sayer, wrote, “The SAC exists to provide advice and address stakeholder concerns on issues relating to the fiber supply for the Kerinci mill. … Most of the issues that you raise, therefore, fall outside the SAC mandate but they are none the less of interest and we will continue to review them at our future meetings. … We take the opportunity to remind EPN and other stakeholders that SAC’s mandate is restricted to providing independent oversight and recommendations on APRIL’s implementation of its SFMP ….”

KPMG responded, “The questions that you have posed in your report pertain to the Kalimantan mill expansion. KPMG was hired by APRIL Group’s Stakeholder Advisory Committee to provide limited assurance over the Sustainable Forest Management Policy (SFMP) 2.0 commitments specific to APRIL’s supply chain for its Kerinci mill. The scope of our assessment does not include the broader RGE Group or other mills.”

Conclusion

Despite its highly publicized commitment to eradicate deforestation from its supply chain, the Royal Golden Eagle Group, and its ultimate beneficiary Sukanto Tanoto, have continued to drive deforestation through a network of companies under its control in Indonesia. Weaknesses in the scope of RGE’s existing sustainability policies and a failure to apply these policies to all companies under common control with RGE – notably including PT Balikpapan Chip Lestari, Asia Symbol, and PT Riau Andalan Pulp & Paper – have resulted in the destruction of over 37,000 ha of rainforests since RGE’s “No Deforestation” policy took effect in June 2015. Much of the areas destroyed were critical habitat of Bornean orangutans.

The organizations publishing this report have growing concerns that RGE’s plans for the expansion of its Riau Andalan mill in central Sumatra, together with the construction of a new mega-scale pulp mill by PT Phoenix Resources International in northeastern Kalimantan, will drive a new wave of deforestation in Borneo and Papua. This report has identified over 600,000 ha of natural forests remaining within the boundaries of forest plantation concessions in North, East, and Central Kalimantan that supply PT Balikpapan Chip Lestari and in one plantation concession and two selective logging concessions held by RGE-linked companies in South Papua and West Papua. It is our assessment that these forests will be most immediately at risk from the capacity expansion at the Riau Andalan mill and the development of the Phoenix mill on Tarakan Island.

The facts about deforestation, planned pulp mill capacity, and corporate connections are well-established, as presented in this report. What APRIL’s Stakeholder Advisory Committee and KPMG do with this information is likely to play a key role in determining the future impacts of RGE’s operations. Will the SAC and KPMG overlook the ongoing forest destruction and future risks due to RGE’s use of complex corporate structures, thereby enabling such practices to continue? Or will they hold RGE and APRIL accountable for complying with the sustainability policies they have established and promoted? Similarly, will the Forest Stewardship Council continue with the process to end disassociation with APRIL, even as there is ongoing forest destruction in RGE Group’s pulp supply chain and a new mill being built without a sustainable fiber supply in an ecologically sensitive region? The manner in which the SAC, KPMG, and the FSC respond to the issues highlighted in this report will have a strong influence over whether APRIL and the RGE Group – and other companies under their common control – ultimately ever achieve their stated goal of having “No Deforestation” in their supply chains.

APRIL and the RGE Group have an opportunity to demonstrate a renewed commitment to the sustainability policies they adopted in 2015, which include commitments to “No Deforestation,” “Responsible Management of Peatlands,” and “Respect [for] the Rights of Indigenous Peoples and Communities,” among other measures. The use of corporate proxies to carry out controversial operations is no longer an effective strategy to circumvent the implementation of the companies’ policy commitments. This report provides ample evidence that RGE and APRIL will be held accountable for the entire corporate group’s performance on sustainability issues.
Recommendations

RECOMMENDATIONS TO THE ROYAL GOLDEN EAGLE GROUP AND ITS AFFILIATED COMPANIES IN ORDER TO COMPLY WITH THEIR STATED PUBLIC COMMITMENTS TO ELIMINATE DEFORESTATION IN THEIR SUPPLY CHAIN:

1. The RGE Group must provide an accountable response to the findings of this report, including a credible investigation into how its “No Deforestation” commitment failed to prevent deforestation from entering its supply chain.
   1.1 The RGE Group must issue a group-wide directive instructing all RGE companies and contractors to immediately stop purchasing wood from suppliers that have engaged in deforestation after June 2015, including PT Industrial Forest Plantations, PT Adindo Hutani Lestari and PT Fajar Surya Swadaya.
   1.2 The RGE Group must engage a credible third party to conduct the abovementioned investigation and commit to issuing a public report of its results, together with an explanation of how RGE will strengthen its policies to more effectively prevent deforestation in its supply chain.

2. The RGE Group must enforce No Deforestation, No Peatland and No Exploitation (NDPE) practices in a verifiable and accountable manner across the entire corporate group, as defined by the Accountability Framework Initiative.
   2.1 The RGE Group must immediately issue a revised corporate group policy that requires all the entities under its control to adhere to ‘No Deforestation, No Peatland and No Exploitation’ (NDPE) practices in their operations and supply chains.
   2.2 The RGE Group must be fully transparent about its corporate relationships with PT Balikpapan Chip Lestari and PT Phoenix Resources International, and all other entities under common control with the RGE Group, as defined by the Accountability Framework Initiative’s definition of “corporate group.” This should include disclosure of all direct and indirect ownership linkages and other mechanisms of control.

3. The RGE Group must ensure PT Balikpapan Chip Lestari adopts and adheres to a No Deforestation, No Peatland and No Exploitation (NDPE) policy that is verifiable and accountable.
   3.1 PT Balikpapan Chip Lestari must adopt a No Deforestation, No Peatland and No Exploitation (NDPE) policy, with a deforestation cut-off date of June 2015 and effective mechanisms for verification and accountability for external stakeholders.
   3.2 PT Balikpapan Chip Lestari must stop sourcing wood from PT Industrial Forest Plantations, PT Adindo Hutani Lestari and PT Fajar Surya Swadaya after it confirms the land cover change results documented in this report.
3.3 PT Balikpapan Chip Lestari must declare its ultimate beneficial owner.

3.4 PT Balikpapan Chip Lestari must publish all suppliers and spatial data on the boundaries of its sourcing areas, its mill capacity, annual wood requirement, and a credible and longterm wood supply plan.

4. The RGE Group must ensure PT Phoenix Resources International adopts and adheres to a No Deforestation, No Peatland and No Exploitation (NDPE) policy that is verifiable and accountable.

4.1 PT Phoenix Resources International must adopt a No Deforestation, No Peatland and No Exploitation (NDPE) policy, with a deforestation cut-off date of June 2015 and effective mechanisms for verification and accountability by external parties.

4.2 PT Phoenix Resources International must declare its ultimate beneficial owner to ensure accountability for any negative impacts of the mill’s construction and/or operation.

4.3 PT Phoenix Resources International must publish its pulp mill capacity, annual wood requirement, and a credible and longterm wood supply plan. Once operational, the mill must disclose all suppliers and spatial data on the boundaries of its sourcing areas on an annual basis.

5. The RGE Group must ensure Asia Symbol completes the investigation it has announced in response to the findings of this report and shares with stakeholders both the results of this investigation and any actions undertaken to remove deforestation from its supply chain.

5.1 Asia Symbol must disclose what “immediate steps” it has taken “to investigate the allegations” raised in the present report and what findings have resulted from this investigation.

5.2 Asia Symbol must disclose what “necessary actions based on the findings” it will undertake to ensure it meets Asia Symbol’s Wood and Pulp Sourcing Policy and the RGE Group’s commitment to No Deforestation and to responsible sourcing of pulp and wood chips.

5.3 Asia Symbol must disclose what steps it has undertaken in its “review of [the company’s] woodchip and pulp sourcing due diligence system to address any gaps and further strengthen the implementation of [its] No Deforestation commitment.”

6. The RGE Group must ensure APRIL strengthens its No Deforestation, No Peatland and No Exploitation (NDPE) policy and demonstrates self-sufficiency in plantation-based wood supplies before expanding its pulp capacity.

6.1 APRIL must stop sourcing wood from PT Adindo Hutani Lestari and PT Fajar Surya Swadaya after it confirms the land cover change results documented in this report.

6.2 APRIL must strengthen its sustainability policies to align with NDPE benchmarks and enforce its NDPE policy, using a June 2015 cut-off date for deforestation. The policy must be enforced across the corporate group, using the Accountability Framework initiative definition of corporate group.

6.3 APRIL must demonstrate fiber “self-sufficiency” on “owned” and “long term supply partners” before APRIL or any entity under common control expands pulp capacity or builds a new mill.

6.4 APRIL must disclose the scope of work and contractual terms on which it has engaged its Stakeholder Advisory Committee to monitor the group’s wood supply practices and adherence to its sustainability commitments.
6.5 APRIL must disclose the scope of work and contractual terms on which it and the SAC have engaged KPMG to monitor the group’s wood supply practices and adherence to its sustainability commitments.

7. The RGE Group must ensure affiliated forest concession-holders and plantation companies and third party wood suppliers cease clearance of natural forests and protect all HCV areas and HCS forests

7.1 PT Industrial Forest Plantation must immediately stop clearing natural forests.

7.2 The RGE Group must make publicly available complete copies of all HCV and HCS assessments that have been conducted in forestry and plantation concessions managed by RGE-affiliated companies and by third party wood suppliers, and commit to releasing all HCV and HCS assessments conducted in the future.

7.3 All RGE affiliated forestry and plantation companies and third party wood suppliers must adhere to the High Carbon Stock Approach in full, including its quality assurance requirements for integrated HCV-HCS Assessments.

7.4 RGE must ensure that the forestry concessions documented above in the regions of Kalimantan and Papua that contain 637,933 ha of ‘at-risk’ natural forests, maintain and monitor the HCV areas and HCS forests within their concessions in a manner that is verifiable and accountable by external parties.
Appendix A. Response to findings from Asia Symbol

March 31 2022

Mr. Sergio Baffoni
Environmental Paper Network
% ARA, August Bebel Str. 16-18
33602 Bielefeld, Germany

Dear Mr. Baffoni,

Asia Symbol (Shandong) Pulp and Paper (ASSD) has recently been notified of a letter sent by EPN on March 22 2023 to RGE, flagging concerns on the wood chips sourced by Asia Symbol’s pulp and paper mill in Rizhao, China from PT Balikpapan Chip Lestari in 2021 and 2022. 

Asia Symbol’s Wood and Pulp Sourcing Policy and Sustainability Policy comply with RGE’s Forestry, Fibre, Pulp & Paper Sustainability Framework which commits the Group to No Deforestation and to responsible sourcing of pulp and wood chips. We apply responsible sourcing across our wood chip and pulp supply chain and are prepared to re-evaluate and terminate the relationship with a supplier who cannot or will not meet the objectives of our Wood and Pulp Sourcing Policy.

We take the allegations raised by EPN seriously that the wood chips sourced from BCL have been obtained from companies that are alleged to have committed deforestation. We have taken immediate steps to investigate the allegations and commit to undertake the necessary actions based on the findings.

To assist in our investigations, we request any relevant shape files from EPN’s sources related to these claims, with particular reference to PT Industrial Forest Plantation, PT Adindo Hutani Lestari and PT Fajar Surya Swadaya, as noted in your letter.

Further to conducting an investigation on this matter, Asia Symbol will also undertake a review of our wood chip and pulp sourcing due diligence system to address any gaps and further strengthen the implementation of our No Deforestation commitment. We will also continue to undertake third party verification on the implementation of our wood chip and pulp sourcing per our policy.

Thank you for bringing this matter to our attention and for the opportunity to offer clarifications.

Kind Regards,

chengxik

Max Cheng Xin Kai
Head of wood chips procurement and trading
March 31 2022

Mr. Sergio Baffoni
Environmental Paper Network
% ARA, August Bebel Str. 16-18
33602 Bielefeld, Germany

Dear Mr. Baffoni

Thank you for your letter dated 22 March 2023 regarding a report on alleged deforestation in Kalimantan and the opportunity to share with you our comments on issues pertinent to the APRIL Group.

No Deforestation commitments
APRIL stand by the No Deforestation commitments we made in 2015 and reiterate that these apply to all areas where we operate, including our full supply chain.

We have announced publicly and been clear that our downstream diversification in paperboard at our operations in Pangkalan Kerinci in Riau Province is fully aligned with our Sustainable Forest Management Policy (SFMP 2.0) and APRIL2030 commitments, as well as all legal and regulatory requirements. Fibre supply to meet current and future production capacity will come entirely from plantation fibre, subject to SFMP 2.0 compliance, and will not necessitate or cause any new forest conversion.

APRIL fibre suppliers are subject to strict due diligence standards, compliance monitoring and third party assurance. During the term of their contract with APRIL, third party suppliers are also subject to monitoring of their compliance with our policies and procedures, and are subject to annual external assurance undertaken by an independent third party to assess compliance with our SFMP 2.0. This includes the identification and reporting of fires. The suppliers’ list and concession maps are publicly available on APRIL’s Sustainability Dashboard.

On the long-term fiber supply, the company has adopted a target of a 50% gain in fibre plantation productivity by 2030. Over the past three years, we have gained more productivity from the same land bank, posting a 29% increase in fibre yield. As a result of our commitment to R&D, more than 60% of our total plantation base is now on the higher end of our productivity range. In comparison, improvements in our production processes for wood conversion have reduced up to 10% of fibre required per pulp production ton.

Our growth is based on sustainable intensification, land optimization and the adoption of precision silviculture techniques. On the production side, efficiencies are generated by the vertical integration of our mill and plantation operations and ongoing R&D in alternative raw materials.

FSC Remedy Process
With regards to the current and ongoing FSC process, we would direct you to our case page on the FSC website for details, but specifically:

Appendix B. Response to findings from APRIL
In November 2020, APRIL Group shared an acknowledgement of harm letter with FSC. Mr. Kim Carstensen, FSC Managing Director, “welcomes the acknowledgement of environmental and social harm from the APRIL Group and the commitment to fully and sincerely engage in the process of remediation.”

In December 2020, FSC published the baseline analysis. The analysis notes that tangible steps were taken by APRIL towards adopting suitable social and environmental values and more responsible business practices, demonstrating transparency, steps towards improving stakeholder engagement, and no further evidence of significant forest conversion to plantations.

We remain committed to working with FSC and stakeholders on the development and implementation of our remedy plan, following the Remedy Framework, and will continue to work towards ending disassociation.

PT Adindo Hutani Lestari and PT Fajar Surya Swadaya
We reiterate our previous responses to EPN regarding PT Adindo Hutani Lestari and PT Fajar Surya Swadaya, shared with you in October and November 2020.

PT. Adindo Hutani Lestari (PT. AHL): In 2020, we confirmed, based on evidence from spatial analysis and ground verification, that no deforestation occurred in the areas highlighted by Auriga in its report, and that there was no breach of our SFMP 2.0 commitments. This is detailed in our comprehensive response to Auriga’s claims.

PT. Fajar Surya Swadaya (PT. FSS): We confirmed in 2018 that the company was an open market supplier of plantation wood. Supply commenced in June 2017 following completion of an internal due diligence process. APRIL did not purchase and use natural forest wood from this supplier. Our due diligence noted that PT FSS had commissioned Tropenbos International to conduct a High Conservation Value assessment of their concessions in April 2015. This was the basis for plantation development carried out in non-HCV areas in 2016-2017. This is explained further in our detailed response to stakeholders.

We thank you again for the opportunity to provide our comments on the concerns you raised and would stand ready to respond to any further queries you may have.

Yours sincerely,

Lucita Jasmin
Director of Sustainability & External Affairs, APRIL Group

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Appendix C. Response to findings from APRIL’s Stakeholder Advisory Committee (SAC)

Dear Sergio,

We thank EPN warmly for sharing your concerns about recent developments in East and North Kalimantan. Several SAC members have a long history and continuing engagement with conservation activities in these areas. We are well connected with local NGOs, government agencies, and many local people. So, several of us have a special interest in developments in the area. However only a very few of the issues that you raise relate specifically to the SAC’s mandate and/or areas of expertise.

The SAC exists to provide advice and address stakeholder concerns on issues relating to the fiber supply for the Kerinci mill. A particular focus is on the ecological integrity of the forests in the fiber supply areas.

Most of the issues that you raise, therefore, fall outside the SAC mandate but they are none the less of interest and we will continue to review them at our future meetings. The issues will be on the agenda for our face to face meeting in June of this year. SAC operates on an annual cycle of investigations and much of the field work is performed by KPMG. The field work plans for this year are already agreed and are underway and the results of this year’s assurance process against APRIL's Sustainable Forest Management Policy (SFMP 2.0) will be made public in the second quarter. The KPMG undertakes annual assessments in relation to APRIL’s supply chain for the Kerinci mills rather than the broader RGE group and is in the process of reporting its work on APRIL activities during 2022, including supply chains from Kalimantan. The team has recently been in the field in East and North Kalimantan and we are awaiting their report.

The SAC is not aware of any links between PT Balikpapan Chip Lestari, the Phoenix mill with companies in the RGE group. PT Balikpapan Chip Lestari does not supply chips to the Riau mill.

We have requested APRIL to look into the points in your letter that are pertinent to the SAC mandate particularly the issues raised on PT Adindo Hutani Lestari and PT Fajar Surya Swadaya. We do, however, note that APRIL publicly addressed many of these concerns in 2020.

The SAC continually monitors supply to the Kerinci mill and examines yield figures to ensure that they correspond to mill capacity – we have been satisfied that the increased capacity needs can be met through yield increases on existing plantations. The SAC is reiterating its recommendation to APRIL to enhance public communications about long-term wood supply plans in order to address any concerns about risks of deforestation. The SAC continues to play its role in ensuring APRIL’s compliance with its SFMP 2.0 for all fiber supply to the APRIL mills in Riau. The SAC notes, and expects APRIL to confirm, its earlier public statement that fiber supply to meet current and future production capacity will come entirely from plantation fiber. All will
be subject to SFMP 2.0 compliance, and will not entail any new forest conversion. We are satisfied that at present there are no issues of concern.

We take the opportunity to remind EPN and other stakeholders that SAC’s mandate is restricted to providing independent oversight and recommendations on APRIL’s implementation of its SFMP and since its launch in November 2020, to also advise APRIL on the implementation of its 2030 sustainability agenda.

Members of the SAC recognize that the biggest obstacle to forest conservation in Indonesia is the persistence of widespread poverty in rural areas. We consider it urgent that land in Kalimantan be brought under effective management whether for conservation or sustainable plantations. Estate crops in the extensive degraded areas in East and North Kalimantan can bring benefits to populations living in these areas. Groups such as EPN might consider factoring in these considerations when taking positions on land use. Meantime, the SAC will continue to do its part in ensuring no further deforestation will be caused by or associated with fiber supply to APRIL’s mills.

Sincerely

[Signature]
Appendix D. Response to findings from KPMG Canada

Thank you for your inquiry.

The questions that you have posed in your report pertain to the Kalimantan mill expansion. KPMG was hired by APRIL Group’s Stakeholder Advisory Committee to provide limited assurance over the Sustainable Forest Management Policy (SFMP) 2.0 commitments specific to APRIL’s supply chain for its Kerinci mill. The scope of our assessment does not include the broader RGE Group or other mills. We are therefore unable to comment on your findings.

KPMG in Canada is committed to delivering high-quality services in accordance with applicable regulated and international standards and independence requirements.

We objectively report on the SFMP 2.0 commitments that we have been asked to measure against and are currently in the process of reporting on APRIL’s activities during 2022. As part of this transparent process, all third-party assurance findings are made publicly available.

Katarina Lukich (she/her)
ESG Communications
National Marketing & Communications
KPMG Management Services LP
klukich@kpmg.ca
Appendix E. Response to findings from the Forest Stewardship Council

Forest Stewardship Council

13 April 2023

Environmental Paper Network (EPN)
Mr. Sergio Baffoni
http://www.environmentalpaper.org
Email: Sergio.Baffoni@environmentalpaper.org

SUBJECT: RESPONSE TO LETTER FROM 23 MARCH 2023 ON RGE FINDINGS

Dear Sergio,

Thank you for providing FSC an opportunity to respond to the points in your report prior to its publication. We will also address your inquiry regarding the Djarum case and how FSC is dealing with the withdrawal of certification by organizations with active Policy for Association allegations. Please note that FSC does not have the details to comment on specific findings related to RGE and its affiliates and activities. RGE should answer to some of your findings that FSC is not able to provide comment on, but we have taken note of these findings and look forward to the publication of the report.

It is integral to FSC that APRIL engage with EPN and other stakeholders on critical and emerging issues around its activities and impacts on Indonesian forests. The quality of this engagement and ability for APRIL to build trust with stakeholders and rights holders in the remedy process is a key success factor. We hope you are able to have a fruitful exchange with APRIL around these critical issues.

With best regards,

Marc Jessel
Chief System Integrity Officer
FSC Global Development GmbH
Finding 1: Findings relating to the “public summary” of the FSC Baseline Analysis of APRIL Group published in November 2020

- The baseline exercise conducted by FSC on APRIL covered the scope of the disassociation defined by indirect involvement in the FSC Policy for Association version 2. The exercise did not include third party suppliers as these suppliers are not part of the disassociation. The objective of the baseline was to understand the quantification and where possible to qualify the Policy for Association issues APRIL was involved in, as FSC did not have the opportunity to conduct an investigation of the PIA allegations at the time of disassociation. This is because APRIL withdrew its FSC certifications before this investigation took place.

Finding 2: Findings relating to the FSC’s Remedy Framework as it relates to the APRIL Group

- Clarification of point 2.1: An organization must first end disassociation before pursuing full forest management certification.
- Clarification of point 2.3: The definition of corporate group is found in the FSC Policy for Association version 3 and AFI is the reference for this definition.

Finding 3: Findings relating to deforestation and practices of companies within the RGE Group’s supply chain

- FSC takes note of these findings.

Finding 4: Findings relating to a new mega-scale pulp mill currently under construction on the island of Tarakan in north-eastern Kalimantan

- FSC takes note of these findings.

Finding 5: Findings relating to the RGE Group’s links to woodchip, forestry, and pulp companies

- As part of the FSC remedy framework process with APRIL, FSC will conduct an assessment of the RGE corporate group according to the Policy for Association version 3 definition of corporate group and according to FSC’s internal methodology for conducting corporate group assessments. FSC is currently working on the development of this methodology.
- The corporate group assessment conducted by FSC on RGE shall determine the scope of the FSC remedy framework.
- FSC takes note of EPN’s findings on the relationship between RGE and BCL and PT Phoenix Resources International.

Inquiry regarding status of Djarum

- FSC conducted a proactive independent evaluation of significant conversion by members of the Djarum group of companies in 2019. FSC’s assessment identified Policy for Association concerns which Djarum disputed at the time. Djarum withdrew its FSC certification.
- Within the coming weeks, FSC will be working on a statement for the Djarum case page to update stakeholders regarding the conclusions of the assessment and developments that have taken place since.

Inquiry on how FSC is managing future cases of organizations withdrawing certification to avoid Policy for Association concerns

- Learning from the APRIL case and more recent cases such as Djarum, version 4 of the procedure for processing PIA complaints provides new avenues for FSC to react to manoeuvres to avoid PIA allegations or consequences of PIA violations. For example, FSC can now complete...
PFA evaluations on organizations which have withdrawn certification, rather than these evaluations being abandoned or terminated. Further, under the new procedure, FSC can now move directly to convene an independent decision panel to take a decision on association without investigation where FSC has sufficient information to support this action. Previously, FSC could not move to a decision on association without conducting an investigation, no matter how strong the evidence of violation of the PFA.
Appendix F. Parties presented with findings that did not provide comment

Eleven parties mentioned in the above analysis were shared a list of the report’s findings and invited to provide comments that would be included in the report. Five of those parties responded, and their comments are integrated in the text and presented in full in the above appendices. From the remaining six parties, no responses were received. These parties are: The Royal Golden Eagle (RGE) Group, PT Balikpapan Chip Lestari, PT Phoenix Resources International, PT Adindo Hutani Lestari, PT Industrial Forest Plantation, and PT Fajar Surya Swadaya.