



WWF Advisory to Buyers and Investors of Sinar Mas Group/Asia Pulp & Paper (SMG/APP)

23 April 2020 -- Sinar Mas Group's Asia Pulp & Paper (SMG/APP) has a legacy of over 30 years of more than 2 million hectares of deforestation, destruction of wildlife habitat, fires and greenhouse gas emissions from peat development, and conflicts with local communities related to land grabbing, forest clearance and pulpwood plantation development in Sumatra and Kalimantan, Indonesia (see timeline of deforestation [here](#)).

APP has been self-publishing declarations of progress in various aspects of its policy implementation, but failed to provide any transparency on a wide range of key issues. Independent monitoring by Indonesian NGOs revealed that SMG/APP:

- **Repeatedly missed its zero-deforestation targets.** After missing its zero deforestation targets in 2004, 2007 and 2009¹, SMG/APP committed to yet another deforestation cut-off year of 2013². The commitment came after their suppliers had already cleared all the forest they could pulp in Sumatra at that time³. In 2016, SMG/APP's third pulp mill in Indonesia started production with a capacity of as much as 2.8 million tons of pulp per year⁴, causing NGOs to warn of SMG/APP's possible default on yet another zero-deforestation commitment⁵. Since then SMG/APP has repeatedly proven that its assurances of having enough plantation supply was false. SMG/APP has kept adding new fiber suppliers in Indonesia, Vietnam, Malaysia, Thailand, Australia and South Africa without conducting sufficient due diligence to ensure that the suppliers are deforestation free. NGOs have discovered consistent cases of APP missing the 2013 cut-off year by being involved in deforestation through their suppliers^{6, 7, 8, 9, 10, 11, 12, 13}. In March 2019, APP itself admitted of sourcing wood from, or having other relationship with, controversial companies who caused deforestation since 2013^{14, 15, 16}.
- **Made a minimum progress to implement their 2014 commitment to restore or conserve 1 million hectares of natural forest and peatlands**¹⁷. Serious regional haze and fires in many SMG/APP supplier concessions in peatland in 2015 and 2018^{18, 19, 20, 21, 22} are the best reminders that they need to restore the peatland in their concessions and in so doing made less susceptible to fire. APP suppliers' concessions in Indonesia include almost 1.4 million hectares of peatlands and a lot of them are already deforested and planted with acacia²³. However, NGOs found that some of SMG/APP's affiliated companies have failed to comply with peat restoration and forest protection regulations²⁴ and SMG/APP has only thus far publicly committed to retiring 7,000 ha of plantation on peat^{25, 26, 27, 28}. Outside peatlands, SMG/APP announced starting restoration work in 5,000 ha of degraded forest²⁹ - together with the retired peatlands representing only 1.2% of the 1 million hectares they had publicly committed to restoring.
- **Continue to face challenges to resolve social conflicts.** SMG/APP has acknowledged hundreds of conflicts between their wood suppliers and the villages, but without providing any data on the cases and conflict-resolution progress to allow for independent verification³⁰. In 2019, local NGOs identified one hundred active conflicts over land rights, evictions, and unfulfilled compensation with local communities that remain unaddressed by SMG/APP^{31, 32}.

SMG/APP has also been disassociated by Forest Stewardship Council (FSC), which is widely considered as the most robust certification system to ensure environmentally responsible, socially beneficial and economical viable management of forests³³. This means that SMG/APP is not allowed to have any association of any kind with FSC, including use of any of its certificates and trademarks³⁴. APP is the first among only six companies in the world that FSC remains disassociated from³⁵. FSC's disassociation from APP was announced in 2007 amid "substantial, publicly available information that APP was involved in destructive forestry practices, which brought it into conflict with the FSC mission"³⁶.

In 2017, FSC initiated a process to develop a roadmap for ending its disassociation with APP. However, in August 2018, FSC was forced to suspend the process due to "[the lack of] further information from APP related to its corporate structure and alleged unacceptable forest management activities by companies thought to be related to APP"³⁷. FSC's decision followed a series of revelations about SMG/APP's unwillingness to disclose

all of their associated companies, that allowed them to hide their continuing involvement in deforestation and their total environmental and social negative impacts which need to be remedied^{38, 39, 40, 41, 42}.

WWF strongly recommends that companies and financial investors end their business relationships with SMG/APP and its affiliates on the following basis:

1. Not enter into any new contract with companies that are disassociated from FSC, such as SMG/APP and its affiliates.
2. Publish a sustainable pulp & paper procurement policy with a time-bound plan to (a) increase sourcing of FSC certified or recycled products and to (b) eliminate products from companies that are disassociated from FSC.
3. Publish progress against the time-bound plan above.

For more information, please contact: Nursamsu, WWF Indonesia <nursamsu@wwf.id>

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