



HOW SINAR MAS IS

# PULPING THE PLANET

**GREENPEACE**


***Sumatra's peat swamp forests not only provide habitat for endangered species such as the Sumatran tiger, they are also of critical importance in mitigating climate change. The clearing and draining of peatlands is the key reason why Indonesia is the world's third largest GHG emitter.***



# CONTENTS



<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>SAVING PEATLANDS IS CRITICAL FOR MITIGATING CLIMATE CHANGE</b>	<b>4</b>
<b>CLIMATE AND BIODIVERSITY: WHAT IS AT STAKE?</b>	<b>5</b>
<b>THE SINAR MAS GROUP: AN EMPIRE BUILT ON TRASHING RAINFORESTS AND FUELLING CLIMATE CHANGE</b>	<b>6</b>
APP – THE WIDJAJA’S PULP EMPIRE	8
GAR – THE WIDJAJA’S PALM OIL EMPIRE	9
ANOTHER HIGH-CARBON EMPIRE IN THE MAKING: COAL	9
<b>NEW GREENWASH, OLD RHETORIC</b>	<b>10</b>
<b>SINAR MAS PLANS MASSIVE EXPANSION – RAINFORESTS DESTRUCTION CONTINUES</b>	<b>12</b>
<b>TWO FRONTIERS OF RECENT SINAR MAS EXPANSION</b>	<b>14</b>
<b>CASE STUDY: BUKIT TIGAPULUH FOREST LANDSCAPE</b>	<b>16</b>
<b>CASE STUDY: KERUMUTAN PEAT SWAMP FOREST</b>	<b>18</b>
<b>CERTIFYING BAD PRACTICE – CONTROVERSY IN THE MIX</b>	<b>20</b>
<b>SINAR MAS: THE ‘GREAT PERIL’ TO YOUR BRAND</b>	<b>22</b>
<b>WHICH CUSTOMERS CONTINUE TO PROP UP SINAR MAS?</b>	<b>24</b>
THE PAPER TRAIL – APP’S PARTNERS IN CRIME	24
THE PALM OIL TRAIL – OTHER SINARMAS PARTNERS IN CRIME	26
<b>WILL SINAR MAS SUPPORT THE IMMEDIATE PROTECTION OF ALL PEATLANDS AND A MORATORIUM ON FOREST CLEARANCE?</b>	<b>28</b>
<b>GLOBAL ACTION TO TACKLE CLIMATE CHANGE</b>	<b>29</b>
<b>PICTURE CREDITS</b>	<b>30</b>
<b>BIBLIOGRAPHY</b>	<b>32</b>
<b>ENDNOTES</b>	<b>34</b>



***“It is in relation to future plans, where over the next ten years a total of around 290,000ha of licensed tropical forest are proposed to be converted into sustainable plantations, there will need to be careful consideration of the international market acceptability.”***

INDEPENDENT AUDIT COMMISSIONED BY APP AND SINAR MAS FORESTRY, AMEC (2001)

***“[SINAR MAS/APP] wishes to be a world leader in the pulp and paper-making industry, we will do so in a responsible and sustainable manner. We are on a path toward sustainability and will not be deterred.”***

AIDA GREENBURY, APP'S DIRECTOR OF SUSTAINABILITY AND STAKEHOLDER OUTREACH, NEWSMAKER (2010)

***“The Greenpeace claims are of a nature that we can't ignore. Unilever is committed to sustainable sourcing. Therefore, we have notified [Sinar Mas] that we have no choice but to suspend our future purchasing of palm oil.”***

MARC ENGEL, CHIEF PROCUREMENT OFFICER, UNILEVER (2009)

# EXECUTIVE SUMMARY

# HOW SINAR MAS IS PULPING THE PLANET



## GLOBAL ACTION TO TACKLE CLIMATE CHANGE

Tropical forest destruction is responsible for around 20 per cent of global greenhouse gas (GHG) emissions.<sup>1</sup> Ending deforestation will not only preserve biodiversity but it must be a central part of a global strategy to tackle climate change.

Peatlands are perhaps the world's most critical carbon stores and a key defence against climate change; they store somewhere between a fifth and a third of the total carbon contained in the terrestrial biosphere, including all soils and vegetation.<sup>2</sup> There are about 22.5 million hectares of peatlands in Indonesia,<sup>3</sup> the vast majority of which are on the Indonesian island of Sumatra.<sup>4</sup>

The destruction of rainforests and carbon-rich peatlands<sup>5</sup> is the key reason why Indonesia accounts for around a quarter of all GHG emissions caused by deforestation.<sup>6</sup> According to recent government estimates, Indonesia ranks as the world's third largest GHG emitter.<sup>7</sup> The palm oil and pulp and paper industries are two of the major drivers of these escalating emissions.<sup>8</sup>

The destruction of Indonesia's forests and peatlands also has a devastating impact on biodiversity. The endangered orang-utan and the Sumatran tiger are just two of the species under threat of extinction,<sup>9</sup> in part due to the loss of natural forest habitat.<sup>10</sup>

## SINAR MAS – THE 'GREAT PERIL' TO YOUR BRAND

Controlled by the Indonesian Widjaja family,<sup>11</sup> the Sinar Mas group is one of the largest conglomerates in Indonesia engaged in clearing rainforests and destroying peatlands.<sup>12</sup> The group also has significant interests in coal mining, amongst other sectors.<sup>13</sup>

According to *Globe Asia* magazine, the Indonesian tycoon that founded Sinar Mas, Eka Tjipta Widjaja, is considered to be the second richest person in Indonesia, with a fortune worth USD 4 billion.<sup>14</sup>

Sinar Mas palm oil and paper is used in a range of products sold in stores and supermarkets around the world, from toilet paper and luxury shopping bags to chocolate bars and doughnuts.<sup>15</sup>

Between November 2007 and April 2010, Greenpeace released a series of investigative reports on Sinar Mas<sup>16</sup> and other key players in the Indonesian palm oil sector. They revealed that Sinar Mas was expanding its operations and encroaching on Indonesia's remaining rainforests and peatlands.

As a result, a growing number of international consumer companies, including Unilever,<sup>17</sup> Kraft<sup>18</sup> and Nestlé,<sup>19</sup> suspended multimillion dollar palm oil contracts with Sinar Mas.<sup>20</sup>

## APP – CONTINUING TO BUILD AN EMPIRE ON OLD RHETORIC

Sinar Mas' pulp and paper division, Asia Pulp and Paper (APP), is Indonesia's largest pulp and paper producer.<sup>21</sup> With its expansion into China in 1992,<sup>22</sup> it became the fourth largest worldwide<sup>23</sup> and, in 2008, it ranked as the world's fifth largest tissue producer.<sup>24</sup> The group has recently set up new sales networks in the US,<sup>25</sup> the UK<sup>26</sup> and Spain,<sup>27</sup> and expanded its production capacities in Australia,<sup>28</sup> Canada,<sup>29</sup> China<sup>30</sup> and the US.<sup>31</sup>

According to mapping analysis conducted by the World Wildlife Fund (WWF), APP's two pulp mills in Sumatra cause more loss of rainforest than any other company on the island.<sup>32</sup>

Over the last five years, APP has repeatedly claimed that it is on a responsible 'path toward sustainability' and will soon have no need to pulp Indonesian forests to meet its fibre requirements. Written for its customers and other stakeholders, its 'sustainability' reports have proclaimed:

- "after this date [2007], APP/SMG will be fully reliant on renewable, plantation-grown fibre from socially, environmentally and legally responsible sources."<sup>33</sup>
- "the current 623,409 hectares of plantation forests will more



than adequately provide the fibre requirements for APP's two pulp mills in Sumatra by end of 2009.<sup>34</sup>

APP has recently released a series of adverts entitled "APP Cares"<sup>35</sup> in order "to further convey [its] environmental message to the world".<sup>36</sup> The adverts, broadcast on CNN International<sup>37</sup> and published in The Times (UK),<sup>38</sup> amongst other media outlets, aim to highlight APP's efforts to conserve the environment, protect biodiversity, alleviate poverty and mitigate climate change.<sup>39</sup>

## APP'S RAINFOREST RHETORIC EXPOSED

*How Sinar Mas is Pulping the Planet* provides new evidence which shows that APP never intended to source its pulpwood from plantations alone after 2009, in spite of the promise it made to its customers and other stakeholders.

A confidential document written by Sinar Mas in 2007,<sup>40</sup> and held by Greenpeace International, shows that the group was implementing plans to acquire new forest areas through its 'Area Development Project for

Supporting Mill License Capacity'. The Project would be "exposed to government" (i.e. used to lobby government) in order to gain approval for a massive increase of the group's existing licensed pulping capacity and landbanks (i.e. new forest areas to clear for plantation development).<sup>41</sup>

While the overall capacity of its two pulp mills in Sumatra was 2.6 million tonnes per year in 2006,<sup>42</sup> the Sinar Mas document indicates that APP was proposing to raise that to 17.5 million tonnes per year,<sup>43</sup> a sevenfold increase in APP's pulp capacity in Indonesia.

*Pulping the Planet* reveals – from analysis of Indonesian Government and confidential Sinar Mas maps and data, as well as on-the-ground investigations – that APP continues to acquire and destroy rainforest and peatland to feed its two pulp mills in Sumatra.

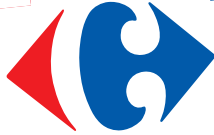
In the Sumatran provinces of Riau and Jambi alone:

- Sinar Mas was aiming to expand its concessions by 900,000 hectares between 2007 and 2009. In 2006, over half of this area was still forested<sup>44</sup> and a quarter of it was peatland.<sup>45</sup>

- Thirty of the new concessions encroached into some of the last forest refuges for the critically endangered Sumatran Tiger.<sup>46</sup>
- A dozen of them – covering at least 130,000 hectares – overlapped peatland which is more than three metres deep.<sup>47</sup> It is illegal to destroy peatland over three metres deep under Indonesian law.<sup>48</sup>
- By the end of 2007, over half of Sinar Mas' 900,000 hectares of expansion concessions had either been approved by the Indonesian government or were in the process of being acquired.<sup>49</sup>

Greenpeace recently carried out an on-the-ground investigation into two key rainforest areas in Sumatra. Sinar Mas has recently acquired new concessions in the Bukit Tigapuluh Forest Landscape in Central Sumatra, one of the last refuges for the critically endangered Sumatran tiger.<sup>50</sup> It is also targeting the Kerumutan Peat Swamp forest for further expansion; this is another important tiger habitat and area of carbon-rich peatland.<sup>51</sup>

Greenpeace documented Sinar Mas in the act of clearing rainforests and destroying peatland in these areas.



## CORPORATE BRANDS ARE SILENT PARTNERS TO FOREST CRIME

### Paper trail

Some international companies, such as Staples,<sup>52</sup> Office Depot<sup>53</sup> and Woolworths (Australia),<sup>54</sup> have stopped buying or selling paper products connected to APP. However, recent research by Greenpeace shows that many other international companies continue to do so. These include:

French supermarket chain **Carrefour** (e.g. in Indonesia, China);<sup>55</sup> US supermarket chain **Walmart** (in China);<sup>56</sup> French supermarket chain **Auchan** (in China);<sup>57</sup> British supermarket chain **Tesco** (in China);<sup>58</sup> British retail group **WH Smith** (in the UK);<sup>59</sup> US information technology multinational **Hewlett Packard** (in Brazil);<sup>60</sup> US fast-food chain **Kentucky Fried Chicken** (in China);<sup>61</sup> Dutch Office supplies company **Corporate Express**;<sup>62</sup> and Australian global paper merchant **PaperlinX** (e.g. in Australia and the UK).<sup>63</sup>

Other international companies including Kimberly Clark, Kraft, Nestlé and Unilever, are in the process of implementing global sustainability policies for pulp and paper. These policies will exclude paper products from APP unless it makes substantial improvements to the

sustainability of its fibre supplies.<sup>64</sup>

APP China's Gold East Paper mill is the single largest export destination from APP Indonesia's Riau-based pulp mill, PT Indah Kiat.<sup>65</sup> Customers of Gold East's Paper include many international and high-profile magazines and books including Chinese National Geographic; CNN Traveller; COSMO (published by National Geographic); Cosmo Girl (published by Cosmopolitan); ELLE; Esquire; and Marie Claire.<sup>66</sup>

### Palm oil trail

Some international companies, including Kraft, Nestlé and Unilever, have also stopped buying palm oil from Sinar Mas. However the following companies, listed as customers of Sinar Mas' palm oil division in June 2009, have not yet made similar commitments.<sup>67</sup>

**Campbell Soup Company** (US); **Burger King** (US); **Dunkin Donuts** (US); **Pizza Hut** (US); and **Shiseido** (Japan).

Two of the largest palm oil traders in the world – Cargill (US) and Wilmar (Singapore) – are still buying from Sinar Mas and trading to a variety of their global customers.<sup>68</sup>

In addition, the French supermarket chain, Carrefour, is still selling Sinar Mas-branded palm oil products in Indonesia.<sup>69</sup>

## GLOBAL ACTION TO TACKLE CLIMATE CHANGE

Greenpeace is urging all companies to immediately drop their contracts with the Sinar Mas group until it has taken the necessary steps to ensure that it is no longer involved with forest and peatland destruction.

## STOP THE DESTRUCTION

- Stop trading with companies within the Sinar Mas group. This includes: Sinar Mas Forestry; Asia Pulp & Paper (APP); Golden Agri Resources (GAR) and its subsidiaries which supply palm oil.
- Implement a time-bound plan to phase out palm oil and pulp products from third-party suppliers which trade with the Sinar Mas group of companies.

## START THE SOLUTION

- Introduce a zero-deforestation policy that includes a set of requirements which suppliers must meet for all commodities linked to deforestation and peatland destruction, including those linked to palm oil and pulp and paper.
- Introduce a paper procurement policy which sets ambitious targets to use as much post-consumer recycled paper as possible, and ensures that any virgin fibre is certified to the standards of Forest Stewardship Council (FSC) or an equivalent certification system;
- Publicly support an Indonesian government led moratorium on forest clearance and peatland.

## Kampar Peninsular, Riau Province

30 August 2008, 10:43

### CLIMATE AND BIODIVERSITY: WHAT IS AT STAKE?

#### Saving peatlands is critical for mitigating climate change

Peatlands are perhaps the world's most critical carbon stores and a key defence against climate change. Covering just 3% of the earth's land surface,<sup>70</sup> they store somewhere between a fifth and a third of the total carbon contained in the terrestrial biosphere, including all soils and vegetation.<sup>71</sup>

There are about 22.5 million hectares of peatland in Indonesia,<sup>72</sup> the vast majority of which are on the Indonesian island of Sumatra.<sup>73</sup> Some of these are up to 15 metres deep; some of the deepest in the world.<sup>74</sup>

Sumatra's peat swamp forests not only provide habitat for endangered

species such as the Sumatran tiger, they are also of critical importance in mitigating climate change. The clearing and draining of peatlands is the key reason why Indonesia is the world's third largest GHG emitter. As peat dries out and oxidises, it degrades and emits GHG for up to 150 years.<sup>75</sup>

In 2006, Sinar Mas controlled over 400,000 hectares of oil palm and acacia pulpwood concessions on peatlands in the Sumatran province of Riau alone. This area of peat is projected to emit approximately 2.3 billion tonnes of GHG emissions over 150 years – more than twice the annual emissions from Germany.<sup>76</sup>





Tropical forest destruction is responsible for around 20 per cent of global greenhouse gas (GHG) emissions.<sup>77</sup> Ending deforestation will not only preserve biodiversity but it must be a central part of a global strategy to tackle climate change.

The destruction of rainforests and carbon-rich peatlands<sup>78</sup> is the key reason why Indonesia accounts for around a quarter of all GHG emissions caused by deforestation.<sup>79</sup> According to recent government estimates, Indonesia ranks as the world's third largest GHG emitter.<sup>80</sup>

The Indonesian Government admits responsibility for at least 5 per cent of global GHG emissions, 80 per cent of which is related to natural forest loss and peatland degradation.<sup>81</sup> The government has also identified palm oil and pulp and paper as two of the major drivers of deforestation and escalating GHG emissions.<sup>82</sup>

A report published by the United Nations Environment Programme (UNEP) in 2007 warned that, if current rates of deforestation continue unabated, 98 per cent of Indonesia's lowland rainforests could be destroyed by 2022.<sup>83</sup> Most of Indonesia's peatland forests are lowland rainforests.<sup>84</sup>

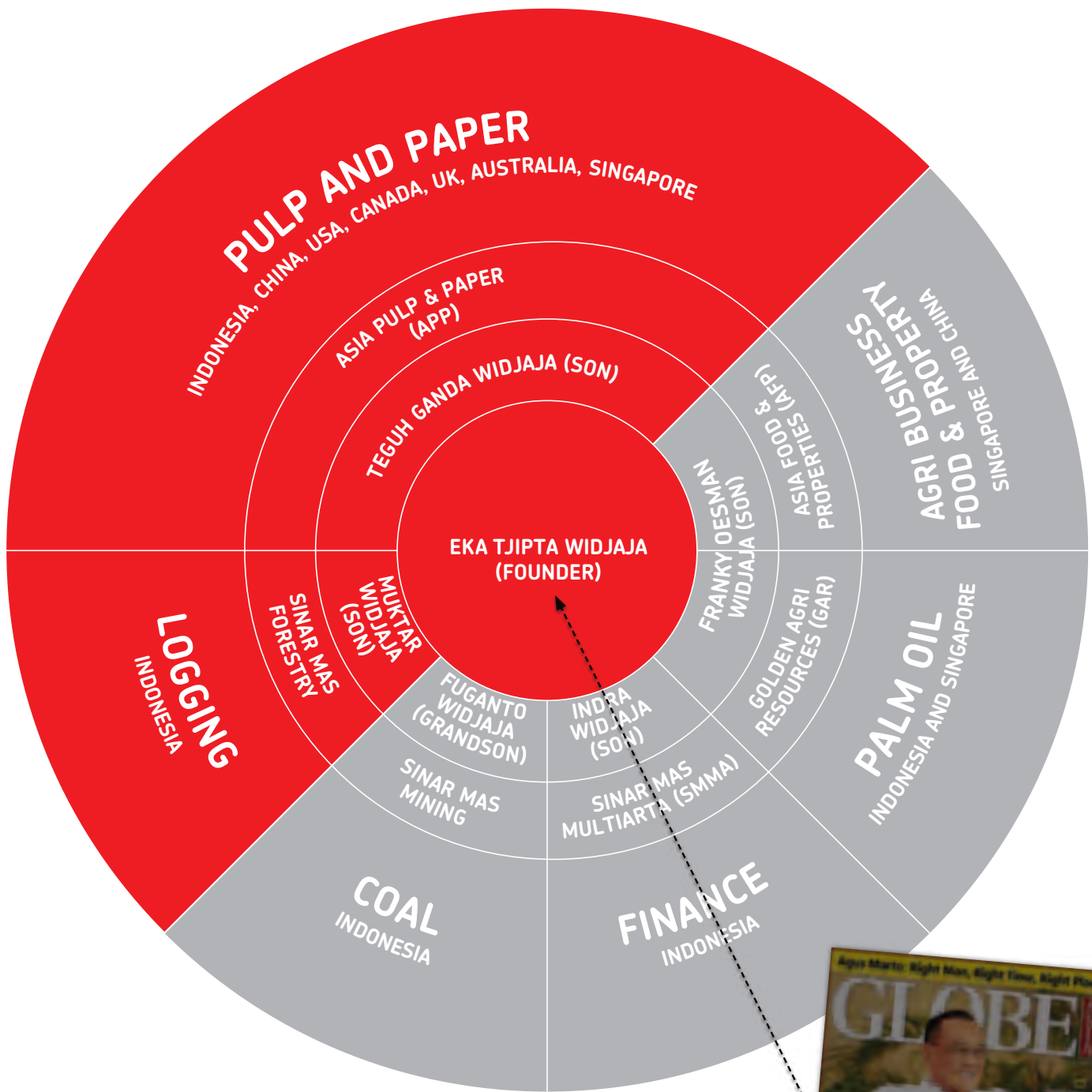
The destruction of Indonesia's forests and peatlands also has a devastating impact on biodiversity. The endangered orang-utan and the Sumatran tiger are just two of the species under threat of extinction,<sup>85</sup> in part due to the loss of natural forest habitat.<sup>86</sup>

The Red List of Endangered Species, published by the International Union for Conservation of Nature (IUCN),<sup>87</sup> classifies the Borneo orang-utan (*Pongo pygmaeus*) as 'endangered' and the Sumatran orang-utan (*Pongo abelii*) as 'critically endangered.' Recent estimates indicate that there are between 45,000 and 69,000 Bornean, and no more than 7,300 Sumatran, orang-utans left in the wild.<sup>88</sup>

The Red List classifies the Sumatran tiger (*Panthera tigris sumatrae*) as 'critically endangered'.<sup>89</sup> Recent estimates indicate that there are only 400-500 left in the wild.<sup>90</sup> In the Sumatran province of Riau, which has the highest rates of deforestation,<sup>91</sup> the number of tigers has declined by 70 per cent in the last 25 years.<sup>92</sup>

The Red List reports that the Sumatran tiger is losing up to six percent of its forested habitat per year, "due to expansion of oil palm plantations and planting of Acacia plantations."<sup>93</sup> If this loss is not stopped, the critically endangered Sumatran tiger could well follow other species of tiger in Indonesia – the Javan tiger (*Panthera tigris sondaica*) and the Bali tiger (*Panthera tigris balica*) – into extinction.<sup>94</sup>

In Sumatra, the expansion of pulp plantations into rainforest is destroying the natural resources that indigenous communities depend on for their livelihoods, including the Teluk Meranti<sup>95</sup> and Talang Mamak communities<sup>96</sup> in Riau province and the Orang Rimba community in Jambi province.<sup>97</sup>



**SINAR MAS GROUP:  
A WIDJAJA FAMILY  
CONTROLLED EMPIRE**

Sources: AFP (2010); APP (2009b); APP China (2008); DSS (2010); GAR (2010a); Gazette (2010); Indah Kiat (2009); Nippecraft (2010) Reuters (2010); SMMA (2008); Tjiwi Kimia (2010)

*“the Indonesian tycoon, Eka Tjipta Widjaja is now considered to be the second richest person in Indonesia, with a fortune worth USD 4 billion.”*



# THE SINAR MAS GROUP: AN EMPIRE BUILT ON TRASHING RAINFORESTS AND FUELLING CLIMATE CHANGE

*“In 2006, Sinar Mas controlled over 400,000 hectares of oil palm and acacia pulpwood concessions on peatlands in the Sumatran province of Riau alone. This area of peat is projected to emit approximately 2.3 billion tonnes of GHG emissions over 150 years – more than twice the annual emissions from Germany.”<sup>98</sup>*

**Sinar Mas oil palm concession  
near Lake Sentarum National Park,  
West Kalimantan**

14 February 2009, 08:46



Founded by Eka Tjipta Widjaja in the 1970s,<sup>99</sup> the Sinar Mas group (SMG) has established itself as a dominant global player in the pulp and paper and palm oil sectors.<sup>100</sup> The group now has significant interests in coal mining, property development, banking and finance.<sup>101</sup>

According to *Globe Asia* magazine, the Indonesian tycoon, Eka Tjipta Widjaja is now considered to be the second richest person in Indonesia, with a fortune worth USD 4 billion.<sup>102</sup>

The Widjaja family maintains control of the Sinar Mas group through a complex network of offshore holding and trust companies.<sup>103</sup> According to Joe Studwell, author of *Asian Godfathers*, the Widjajas are masters of the ‘godfather arts’; they pyramid companies and practice opaque interplay between private and public businesses.<sup>104</sup>

For example, Sinar Mas’s palm oil business is largely controlled through Golden Agri Resources (GAR), a Sinar

Mas company listed on the Singapore Exchange.<sup>105</sup> The company is incorporated in the tax haven of the Republic of Mauritius, through the registered office of Multiconsult Ltd.<sup>106</sup> The Widjajas own almost 50 per cent of GAR through the ‘Widjaja Family Trust (2)’ account, which controls Flambo International Ltd, an offshore corporate trust account in the British Virgin Islands. This in turn controls Massingham Ltd, another offshore corporate trust account in Singapore, which is major shareholder in GAR.<sup>107</sup>

# ASIA'S WORST DEAL

Wall Street peddled nearly \$6 BILLION in bonds for ASIA PULP & PAPER before the Singapore company defaulted. A cautionary tale of GREED, blind optimism, and the East-West divide.

## APP – THE WIDJAJA'S PULP EMPIRE

The Widjaja family is probably best known for escaping the Asian financial crisis of the 1990s.<sup>108</sup> The APP group, considered the Widjaja 'family treasure',<sup>109</sup> defaulted on nearly USD 14 billion in debt.<sup>110</sup> Although APP was technically bankrupt, the Widjaja family succeeded, with support from the Indonesian Government,<sup>111</sup> in restructuring approximately USD 6.5 billion of the original debt.<sup>112</sup> This was the largest ever restructuring in Southeast Asia.<sup>113</sup>

The final restructuring agreement meant that the Widjajas managed to keep control of APP<sup>114</sup> and would only have to start paying the bulk of the debt between 2015 and 2025.<sup>115</sup> At the end of 2009, APP's Indonesian mills still owed at least USD 4.2 billion of the restructured debt.<sup>116</sup> In October 2007, APP China owed approximately USD 1 billion to overseas private banks as well as government export credit agencies.<sup>117</sup>

The APP group is now run by one of Eka Widjaja's sons, Teguh Ganda Widjaja. In 2008, Pulp & Paper International magazine rated him the

most powerful man in the pulp and paper sector worldwide.<sup>118</sup>

With a total pulp and paper capacity of over 7 million tonnes per year,<sup>119</sup> the group is now Indonesia's largest pulp and paper producer and,<sup>120</sup> together with its production capacities in China, is the fourth largest worldwide.<sup>121</sup> Its pulp mill PT Indah Kiat is one of the largest mills in the world, producing nearly two million tonnes of pulp per year.<sup>122</sup>

Following a massive expansion of its tissue production in the last few years, in 2008 the APP group became the fifth largest tissue producer worldwide.<sup>123</sup> More recently, it has set up new sales networks in the US,<sup>124</sup> UK<sup>125</sup> and Spain,<sup>126</sup> and expanded its production capacities in Australia,<sup>127</sup> Canada,<sup>128</sup> China<sup>129</sup> and the US.<sup>130</sup>

Part of Sinar Mas' expansion strategy has been to establish itself as a key player in the tissue paper markets of North America,<sup>131</sup> Europe<sup>132</sup> and Australia.<sup>133</sup> Sinar Mas affiliated companies, such as Solaris and Mercury, market both APP branded products (Livi, Paseo), and manufacture own label products for retailers.<sup>134</sup> These products include facial and toilet tissue, paper napkins and towels.<sup>135</sup>

In China, APP recently set up the world's largest paper machine at its Hainan Jinhai Pulp & Paper mill, where it expects to produce almost 1.5 million tonnes of coated fine paper per year<sup>136</sup> for products such as magazines and brochures. APP now claims to be the largest producer of pulp, paper and tissue products in China.<sup>137</sup>

By the end of 2007, Sinar Mas Forestry – APP's "exclusive supplier" in Indonesia<sup>138</sup> – controlled at least 2.4 million hectares of concessions for conversion into pulpwood plantations.<sup>139</sup> Over a quarter of these concessions were still forested in 2006.<sup>140</sup> Almost half of the area established with pulpwood plantations is located on peatland.<sup>141</sup> Over 50,000 hectares of plantations is on peat deeper than three metres.<sup>142</sup> It is illegal to destroy peatland over three metres deep under Indonesian law.<sup>143</sup>

According to mapping analysis conducted by the World Wildlife Fund (WWF), APP's two pulp mills in Sumatra are responsible for more loss of rainforest on the island than any other company.<sup>144</sup> Since APP began operations there in the 1980s, the company is estimated to have pulped more than one million hectares of rainforest (an area a third the size of Belgium)<sup>145</sup> in the Sumatran provinces of Riau and Jambi alone.<sup>146</sup>



## GAR – THE WIDJAJA’S PALM OIL EMPIRE

While APP is one of the biggest producers of pulp and paper in the world, Sinar Mas is also a key player in the palm oil industry within Indonesia.<sup>147</sup> Franky Oesman Widjaja, Eka’s son and Teguh’s younger brother, is the CEO of Golden Agri Resources (GAR), a parent holding company for all Sinar Mas’ palm oil interests.<sup>148</sup>

Through GAR subsidiaries, such as PT SMART, Sinar Mas is Indonesia’s biggest palm oil producer, responsible for 10 per cent of the country’s palm oil production.<sup>149</sup> In 2009, GAR controlled 427,000 hectares of palm oil plantations.<sup>150</sup>

PT SMART, a member of the Roundtable on Sustainable Palm Oil (RSPO),<sup>151</sup> has been involved in large-scale and often illegal clearing of forests and peatlands in Kalimantan and Sumatra.<sup>152</sup> It has been aggressively trying to increase the size of its concession areas for future oil palm development by over one million hectares.<sup>153</sup>

Unilever, the global consumer goods giant, decided to suspend its €30 million palm oil contract with the company in December 2009.<sup>154</sup> This followed the publication of the Greenpeace reports *Burning up Borneo*<sup>155</sup> and *Illegal Forest Clearance and RSPO Greenwash: case studies of Sinar Mas*.<sup>156</sup> In March 2010, major food producers including Kraft,<sup>157</sup> Mars<sup>158</sup> and Nestlé<sup>159</sup> also suspended their contracts.

Growing pressure on Sinar Mas from its customers<sup>160</sup> has forced it to re-evaluate its environmental policies.<sup>161</sup> In February 2010, the palm oil arm of the company announced that it would stop clearing all peatlands, primary forests and other High Conservation Value (HCV) forests.<sup>162</sup>

An investigation by Greenpeace in March and April 2010 revealed that the company was already violating these commitments and was continuing to clear areas of peatland and HCV forest in West and Central Kalimantan.<sup>163</sup>

**“The Greenpeace claims are of a nature that we can’t ignore. Unilever is committed to sustainable sourcing. Therefore, we have notified [Sinar Mas] that we have no choice but to suspend our future purchasing of palm oil.”**

MARC ENGEL, CHIEF PROCUREMENT OFFICER, UNILEVER (2009)

## ANOTHER HIGH-CARBON EMPIRE IN THE MAKING: COAL

Sinar Mas’ mining division is headed by Fuganto Widjaja,<sup>164</sup> a grandson of Eka Tjipta Widjaja.<sup>165</sup>

In 2009, Sinar Mas started to expand into coal mining through PT Dian Swastatika Sentosa (DSS).<sup>166</sup> Sinar Mas aims to further expand in the coal sector by “integrated explorations” as well as by “acquiring other mining companies”.<sup>167</sup> In December 2009, DSS was listed on the Jakarta Stock Exchange in order to raise funds of around USD 16 million for further expansion.<sup>168</sup>

DSS now operates through four coal mining and exploration companies and holds a total of five mining licences in Riau, Jambi, South Sumatra and South Kalimantan,<sup>169</sup> with estimated coal reserves amounting to 160 million tonnes.<sup>170</sup> Some of the coal feeds the high energy requirements of Sinar Mas’ pulp and paper mills PT Indah Kiat (in Riau, Sumatra) and PT Pabrik Kertas Tjiwi Kimia (on Java).<sup>171</sup>



**Sinar Mas coal mining, South Kalimantan**

2009:07:24 12:51:36



***“the current 623,409 hectares of plantation forests will more than adequately provide the fibre requirements for APP’s two pulp mills in Sumatra by end of 2009.”***

2005-2006 ENVIRONMENTAL AND SOCIAL SUSTAINABILITY REPORT FOR INDONESIA, APP (2007a)



***Sinar Mas trashing tiger habitat to feed it’s pulp mills***

Location: Riau, Sumatra  
 Lat: S 0° 45.63' Long: E 101° 51.18'  
 Date: 26 April 2010, 11:19



**APP advert placed  
in The Times, UK**

15 February 2010

# NEW GREENWASH OLD RHETORIC

In 2008, APP hired a “very reputable risk management and PR firm, Weber Shandwick to further convey [its] environmental message to the world.”<sup>172</sup> The same year, Weber Shandwick proclaimed that “companies have awakened to the fact that corporate responsibility and reputation go hand in hand.”<sup>173</sup>

In 2009, Sinar Mas launched a major global advertising campaign which was broadcast on CNN International<sup>174</sup> and published in *The Times* (UK),<sup>175</sup> among other media outlets, in an attempt to promote its green credentials.<sup>176</sup> The adverts, which used the slogan “APP: *Building a sustainable future today*”, aim to highlight APP’s efforts to conserve the environment, protect biodiversity, alleviate poverty and mitigate climate change.<sup>177</sup>

Aida Greenbury, APP’s Director of Sustainability and Stakeholder Outreach, stated:<sup>178</sup> “...let there be no doubt: while APP wishes to be a world leader in the pulp and paper-making industry, we will do so in a responsible and sustainable manner. We are on a path toward sustainability and will not be deterred.”

## CONTINUED RELIANCE ON RAINFOREST LOGS

Over the last five years, APP has repeatedly claimed that it is on the responsible ‘path toward sustainability’ and will soon no longer need to pulp Indonesian forests to meet its fibre requirements.<sup>179</sup>

Written for its customers and other stakeholders, APP’s 2004 *Sustainability Action Plan*, referred to the group’s commitment to become sustainable in plantation-grown fibre by 2007: “This means that, after this date [2007], APP/SMG will be fully reliant on renewable, plantation-grown fibre from socially, environmentally and legally responsible sources.”<sup>180</sup>

Published in May 2007, APP’s 2005-2006 environmental report – also written for its customers and other stakeholders – showed that it would fail to meet the 2007 target and could, in theory, now only meet it at the end of 2009.<sup>181</sup>

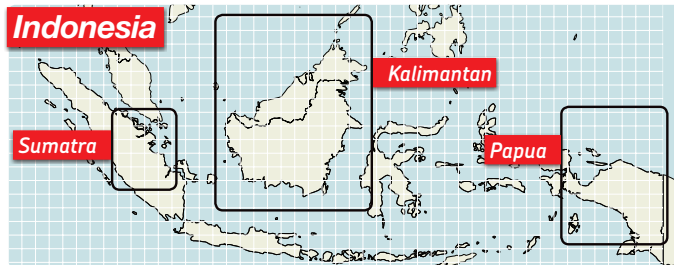
“It is forecast that, with current pulp-mill capacity requiring 16 million cubic meters of pulpwood per year at an average mean annual increment of 25 m<sup>3</sup>/ha/yr, the current 623,409 hectares of plantation forests will more than adequately provide the fibre requirements for APP’s two pulp mills in Sumatra by end of 2009.” (emphasis added by Greenpeace.)






**“In light of the current climate change discussion, we acknowledge that some viewers in developed countries may still not be aware of the unique sustainability challenges and opportunities in Indonesia. And we recognize that those same people may attack these advertisements [shown above] as ‘green-washing’ or insincere.”**

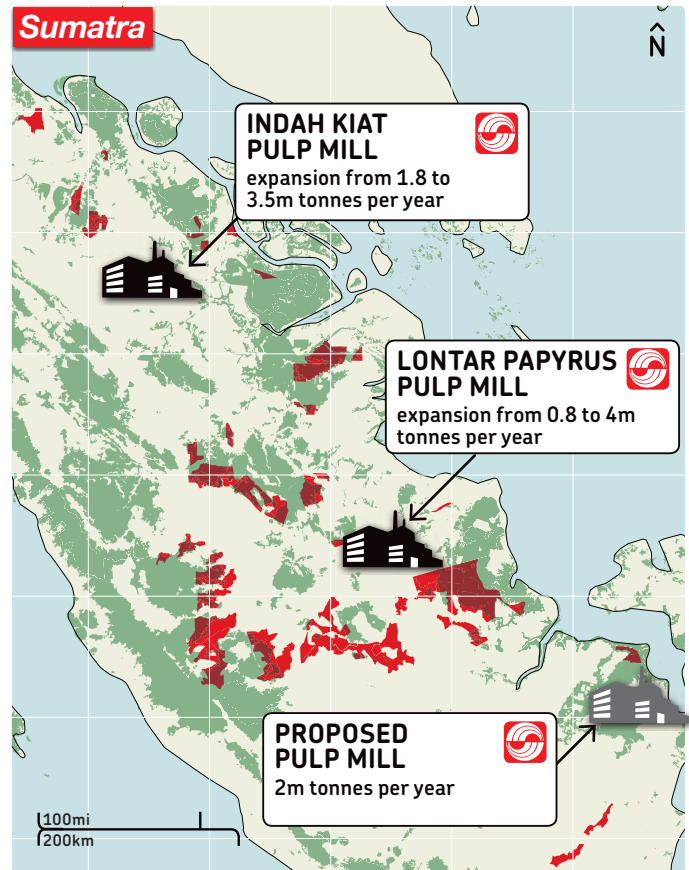
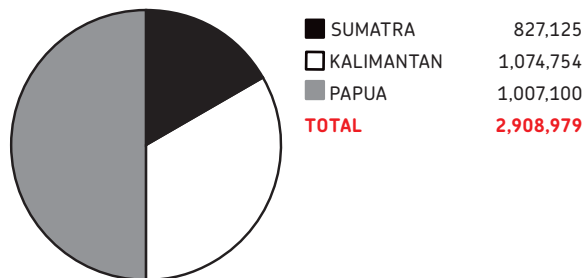
AIDA GREENBURY, APP’S  
DIRECTOR OF SUSTAINABILITY  
AND STAKEHOLDER OUTREACH,  
NEWSMAKER (2010).

# SINAR MAS PLANS MASSIVE EXPANSION – TRASHING OF RAINFORESTS CONTINUES



-  Sinar Mas pulp mill
-  Natural forest (2006)
-  Sinar Mas pulpwood expansion targets

## Sinar Mas pulpwood expansion targets (2007–2009)



A confidential 2007 Sinar Mas document, held by Greenpeace International, shows that, despite its claim, APP never intended to source its pulpwood exclusively from plantations alone after its 2009 deadline, in spite of its assurance to its customers and other stakeholders. In fact, it was planning to maintain its reliance on rainforest logs (i.e. Mixed Tropical Hardwood or MTH).<sup>182</sup>

The document reveals that Sinar Mas was starting to implement plans to acquire new forest areas through its 'Area Development Plan for Supporting Mill License Capacity'. The Project would be "exposed to government" (i.e. used to lobby government) in order to gain approval for a massive increase of its existing licensed pulping capacity

and landbanks (i.e. new forest areas to clear for plantation development).<sup>183</sup>

While the overall capacity of its two pulp mills in Sumatra was 2.6 million tonnes per year in 2006,<sup>184</sup> the Sinar Mas document indicates that APP was proposing to raise that to 17.5 million tonnes per year,<sup>185</sup> a sevenfold increase in its pulp capacity in Indonesia, involving:<sup>186</sup>

- Increased pulp capacity at two existing mills in Sumatra, PT Indah Kiat and PT Lontar Papyrus (from 2.6 to 7.5 million tonnes per year)
- One new pulp mill in South Sumatra (2 million tonnes per year)
- Two new pulp mills in Kalimantan




(with a total capacity of 8 million tonnes per year)

As the Sinar Mas document sets out,<sup>187</sup> in order to supply the increased pulp mill capacity, the company would need to massively expand its pulpwood concession area. In 2007, the company acquired 0.57 million hectares and obtained initial permits for a further 0.75 million hectares.<sup>188</sup> In total, this means an expansion of 1.3 million hectares during 2007.<sup>189</sup>

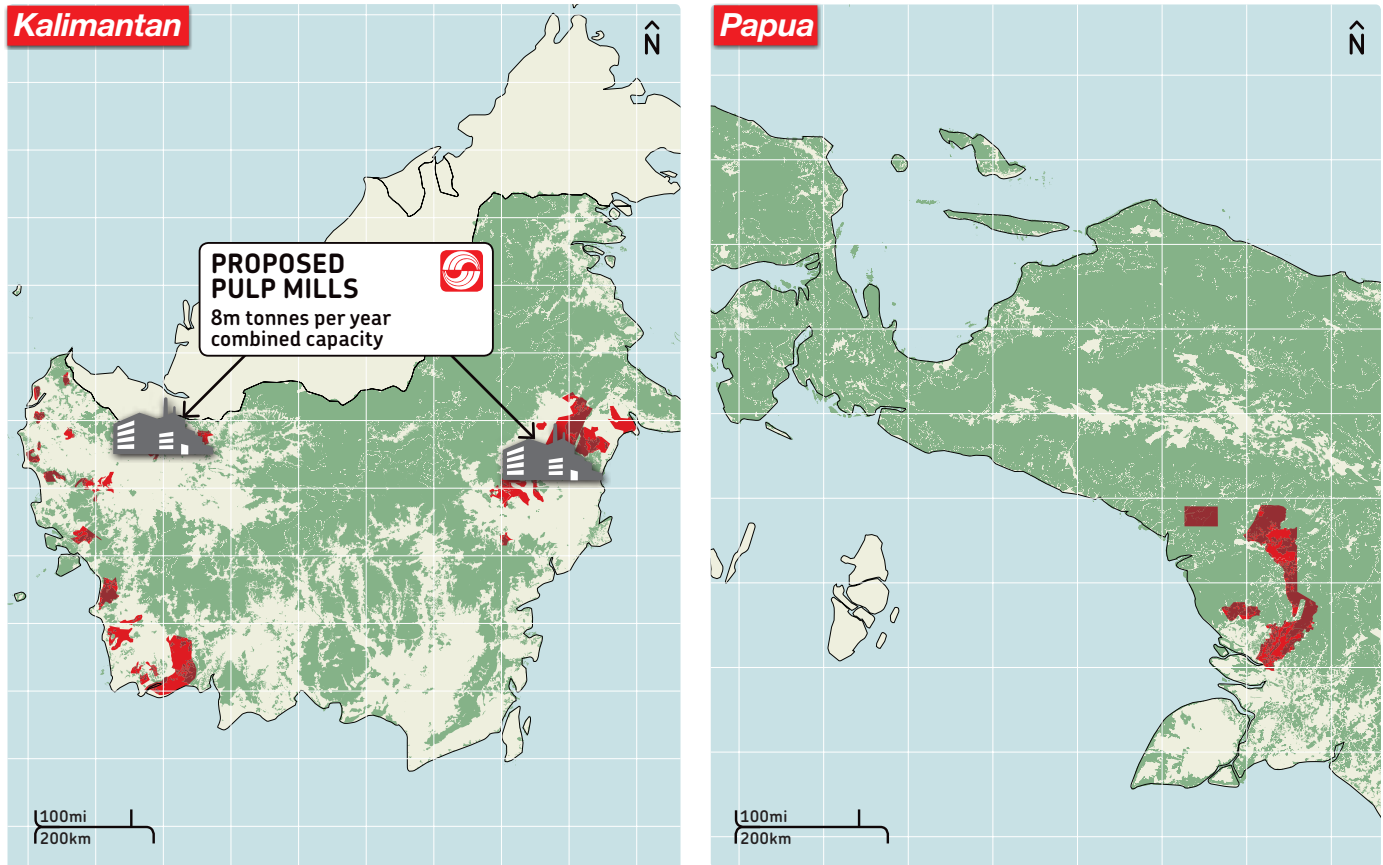
Sinar Mas estimates that 70 per cent of the total expansion area would be available for development, of which it would deforest 460,000 hectares generating 23 million tonnes of rainforest logs (i.e. Mixed Tropical Hardwood or MTH).<sup>190</sup>



## “APP-Indonesia’s fibre suppliers only develop least-valuable degraded forests and denuded [barren] wasteland.”

-  Sinar Mas pulp mill
-  Natural forest (2006)
-  Sinar Mas pulpwood expansion targets

APP’S ‘MYTHS AND REALITIES’ WEBSITE<sup>185</sup>



For 2009-2010, APP declared to Greenpeace<sup>191</sup> that only 10 percent of its current pulp production capacity is met through sourcing rainforest logs (i.e. Mixed Tropical Hardwood or MTH). The total 2007 expansion area of expansion of 1.3 million hectares would therefore facilitate APP’s continued reliance on rainforest logs for a further 20 years.<sup>192</sup>

However, Sinar Mas had not finished acquiring new forested areas by the end of 2007. Greenpeace analysis, based on the latest pulpwood concession statistics released by the Ministry of Forestry, shows that between 2008 and early 2010 Sinar Mas acquired at least another 116,000 hectares of forested concessions.<sup>193</sup>

By the first quarter of 2010, Greenpeace estimates that Sinar Mas controlled 2.9

million hectares of partially forested concessions,<sup>194</sup> some in areas of tiger habitat and carbon-rich peatlands.<sup>195</sup>

However, APP is in the process of acquiring even more concessions, which suggests that it uses or plans to use a higher percentage of rainforest logs (i.e. Mixed Tropical Hardwood or MTH) in its paper products.<sup>196</sup>

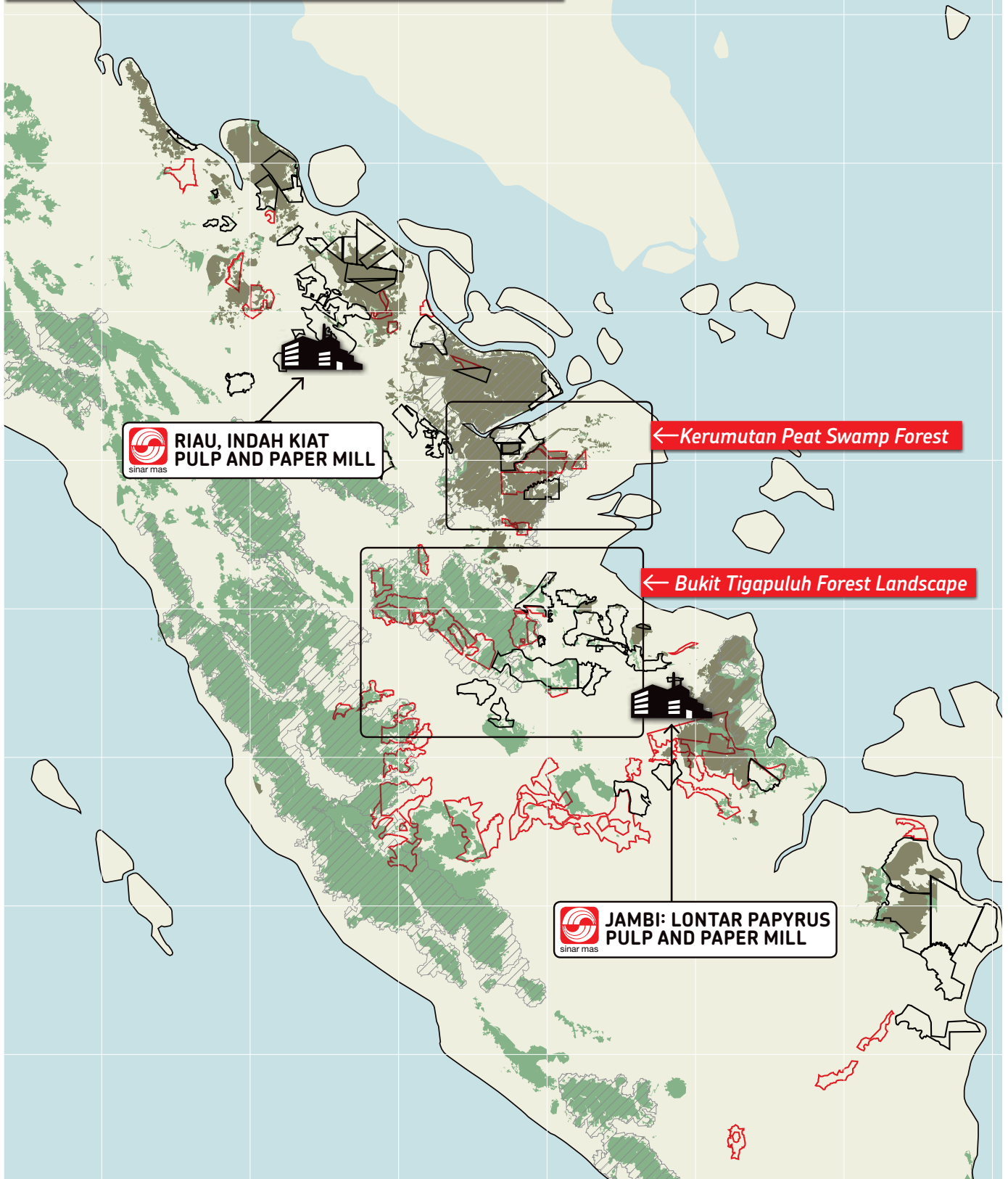
Whilst Sinar Mas has successfully achieved a substantial increase in its pulpwood concession areas, as set out in its internal document, it has not made any formal announcements that it plans to increase its pulp mill capacity in Indonesia. It would require a minimum investment of USD 19 billion to fund its intended increase in pulp capacity.<sup>197</sup> As indicated above, APP still bears a debt of over USD

5 billion, most of which is due for repayment between 2015 and 2025.<sup>198</sup>

It is therefore plausible that, although the Sinar Mas document discusses an expansion to 17.5 million tonnes of pulp capacity per year, the company might have had other intentions when presenting its ‘Area Development Plan for Supporting Mill License Capacity’ to the Indonesian Government. It raises the question as to whether Sinar Mas ever seriously planned to develop build an additional 15 million tonnes of pulping capacity, or whether it actually only ever intended to acquire new forested concessions in order to maintain APP’s long-term reliance on rainforest logs (i.e. Mixed Tropical Hardwood or MTH).

# Mapping the conflict

Tiger habitat or APP's 'mixed wood residues'?



- Forested tiger habitat
- Forested tiger habitat on peatland
- Priority tiger conservation landscape\*
- Sinar Mas pulpwood expansion targets
- Sinar Mas pulpwood existing concessions
- Sinar Mas pulp mill

100mi  
200km

↑

This map combines several sets of data: the Sinar Mas pulpwood concession boundaries, which are based on concessions maps recently made available by the Indonesian Ministry of Forestry; confidential Sinar Mas documents held by Greenpeace; and Greenpeace analysis of concession documentation.<sup>215</sup> Natural forest cover is based on 2006 maps recently made available by the Indonesian Ministry of Forestry.<sup>216</sup> Peatland distribution is based on maps published by Wetlands International.<sup>217</sup> Sumatran tiger habitat distribution is based on maps compiled by WWF.<sup>218</sup> Priority Tiger Conservation Landscapes are based on maps published by the Save the Tiger Fund.<sup>219</sup>

# TWO FRONTIERS OF RECENT SINAR MAS EXPANSION

In several APP documents and communications, the group proclaims that its suppliers “only develop least-valuable degraded forests and denuded [barren] wasteland<sup>199</sup> ... and prior to any development these areas are subjected to several independent ecological and social assessments in order to protect any high conservation value that might exist.”<sup>200</sup>

APP clearly wants to communicate that it has no interest in developing rainforests that are important for critically endangered species (e.g. tiger habitat) or for climate mitigation (e.g. carbon-rich peatlands).

APP also suggests that the rainforests it ‘develops’ into plantations actually benefit biodiversity and the climate:

- “...pulpwood plantations indeed help to protect biodiversity.... The lower value land developed into pulpwood plantations play important roles as a buffer or security zone to protect the integrity of high value natural forests within and surrounding the plantations.”<sup>201</sup>
- “The mixed residue material generated from the development of wasteland and low value or degraded forest is allocated for the pulp industry by the government as the most environmentally friendly option<sup>202</sup>[...] as opposed to leaving it on the ground or burning it, which will create forest fires and the release of methane into the atmosphere and lead to forest disease outbreaks”.<sup>203</sup>

APP wants its customers to believe that the ‘mixed residue material’ (Mixed Tropical Hardwood, MTH) it uses in its

pulp mills is simply wood-waste that is lying on the ground in the areas it develops.

However, Greenpeace investigations show that Sinar Mas continues to acquire and destroy forested tiger habitat, and continues to clear carbon-rich peatlands to feed its Sumatran pulp mills.

In the Sumatran provinces of Riau and Jambi alone, Sinar Mas was aiming to expand its concessions by 900,000 hectares between 2007 and 2009. In 2006, over half of this area was still forested and a quarter of it was peatland.<sup>204</sup> Thirty of the new concessions encroached into some of the last forest refuges for the critically endangered Sumatran Tiger.<sup>205</sup> A dozen of them – covering at least 130,000 hectares – overlapped peatland which is more than three metres deep.<sup>206</sup> It is illegal to destroy peatland over three metres deep under Indonesian law.<sup>207</sup>

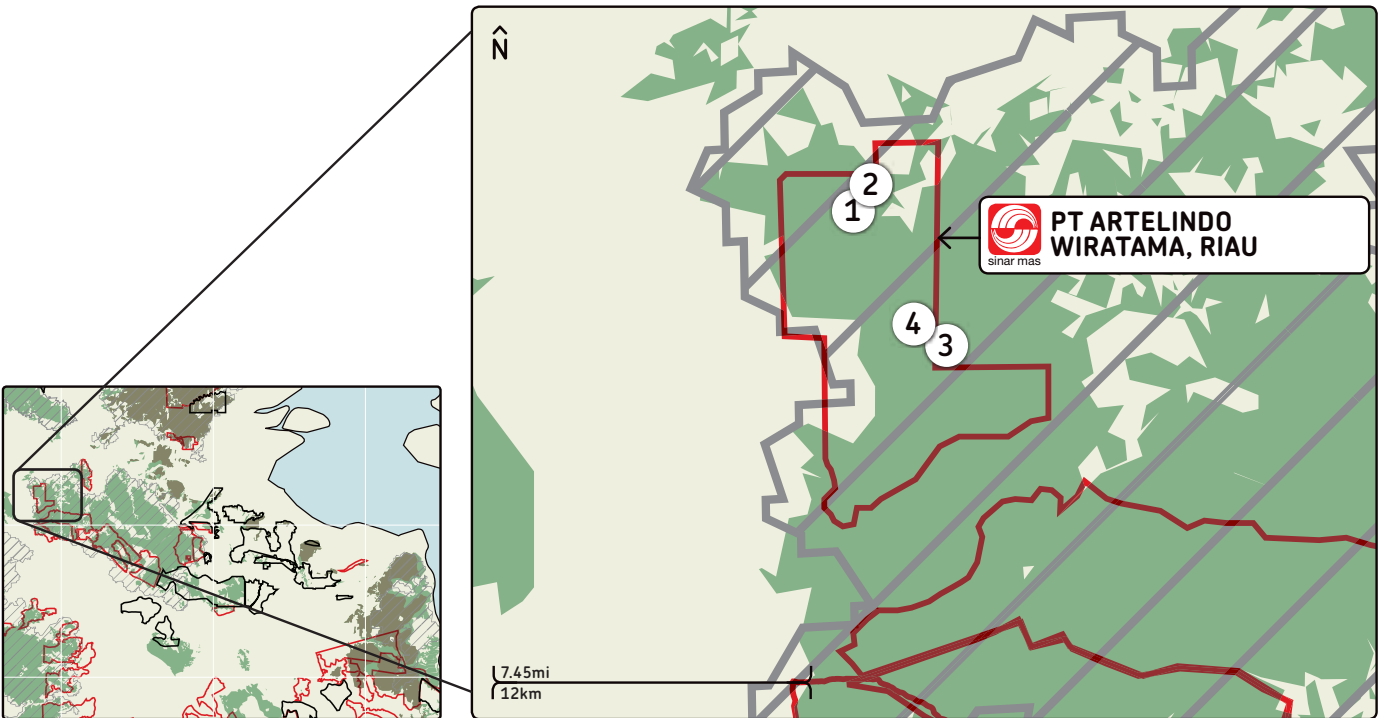
By the end of 2007, over half of Sinar Mas’ 900,000 hectares of expansion concessions had either been approved by the Indonesian government or were in the process of being acquired.<sup>208</sup>

Sinar Mas’ expansion concessions encroach into the Bukit Tigapuluh Forest Landscape in Central Sumatra, one of the last refuges for the critically endangered Sumatran tiger.<sup>209</sup> Sinar Mas planned to expand into 210,000 hectares in this area.<sup>210</sup> In 2007, Sinar Mas acquired concessions covering 36,000 hectares in the region through PT Artelindo Wiratama (Riau Province) and PT Tebo Multi Agro (Jambi Province).<sup>211</sup>

Other expansion concessions encroach into the Kerumutan Peat Swamp forest located in the province of Riau, another important forested tiger habitat.<sup>212</sup> This is also an area of deep peat. In 2006, Sinar Mas acquired a concession area covering 30,180 hectares through PT Bina Duta Laksana,<sup>213</sup> and targeted a further 41,000 hectares through the acquisition of the neighbouring selective logging concession, PT Mutiara Sabuk Khatulistiwa.<sup>214</sup>

Greenpeace has documented evidence of ongoing deforestation by Sinar Mas within its concession areas of the Bukit Tigapuluh Forest Landscape and the Kerumutan Peat Swamp forest (see next section).

SINAR MAS PULPWOOD CONCESSION IN THE PROVINCES OF RIAU AND JAMBI, SUMATRA	EXISTING CONCESSION AREAS, HECTARES (END OF 2006)	EXISTING AREAS (AS % OF TOTAL)	EXPANSION CONCESSION AREAS, HECTARES (POST 2006)	EXPANSION AREAS (AS % OF TOTAL)
<b>Total concession area</b>	1,200,830	100	<b>900,774</b>	100
<b>Total area of forest</b>	358,850	30	<b>476,680</b>	53
Primary forest	83,710	7	<b>22,103</b>	2
Secondary forest	275,140	23	<b>454,577</b>	50
<b>Total forested tiger habitat</b>	313,847	26	<b>465,698</b>	52
<b>Total area of peatland</b>	615,693	50	<b>223,231</b>	25
Forested Peatland	255,703	21	<b>138,914</b>	15
Non-Forested Peatland	359,990	28	<b>84,317</b>	14
Peatland >4m	336,397	28	<b>127,555</b>	14
Forested Peatland >4m	187,903	16	<b>100,547</b>	11



- Forested tiger habitat
- Sinar Mas pulpwood expansion targets
- Sinar Mas pulpwood existing concessions
- Priority tiger conservation landscape\*



# BUKIT TIGAPULUH FOREST LANDSCAPE

**“To date, APP has not received any pulpwood from the Bukit Tigapuluh areas ... and its pulpwood supplier will do their utmost to support...the protection of Bukit Tigapuluh National Park, its buffer zones and the development of wildlife corridors [and] the protection of endangered species such as Sumatran elephant, Sumatran tiger, and introduced orang-utan in the area”**

STATEMENT ON BUKI TILAPULAH, APP (2009A)

Spanning over half a million hectares, the Bukit Tigapuluh Forest Landscape in Central Sumatra is one of the last refuges for the critically endangered Sumatran tiger.<sup>220</sup> It has been designated one of the twenty highest global priority landscapes for conserving tigers.<sup>221</sup> Of this landscape, 144,000 hectares are designated as the Bukit Tigapuluh National Park.<sup>222</sup>

Bukit Tigapuluh is the island's largest lowland rainforest region,<sup>223</sup> hosting incredible biodiversity:<sup>224</sup> 660 plant species, 200 species of birds and 60 mammal species, including the highly endangered clouded leopard (*Neofelis nebulosa*), Malayan tapir (*Tapirus indicus*) and elephant (*Elephas maximus*).

Bukit Tigapuluh has the only reintroduction project for the Sumatran orang-utan; over 100 have been released into the wild.<sup>225</sup> The re-established orang-utan population now inhabits large parts of the Bukit Tigapuluh landscape, especially in the southern buffer zone.<sup>226</sup>

The area is also home to Orang Rimba forest-dwelling tribal communities. These communities face increasing abuse and marginalisation as a result

of rapid deforestation.<sup>227</sup> As one Orang Rimba leader stated:<sup>228</sup> “One day [the company] came and told us to leave, we were pushed out. They cut down our homes and the forests. We no longer have the forest to live. We don't have food or protection.”

Despite the social and ecological importance of this area, APP and its pulpwood suppliers are associated with ten licensed or proposed pulpwood concessions that encroach into the Bukit Tigapuluh Forest Landscape in Riau and Jambi. According to WWF, these pulpwood concessions cover 358,047 hectares, half of which are in the landscape's natural forest.<sup>229</sup>

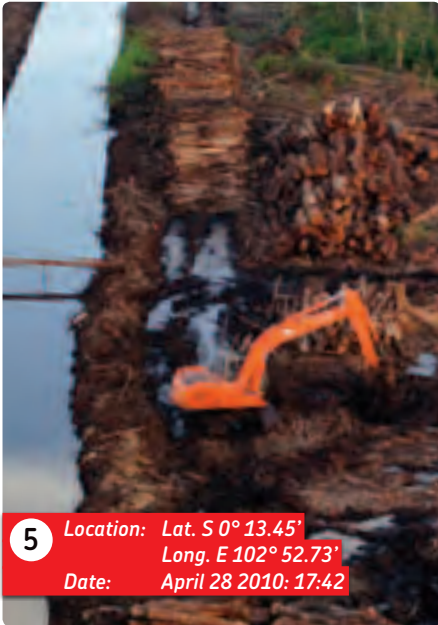
One of Sinar Mas' pulpwood concession holders in the area is PT Artelindo Wiratama.<sup>230</sup> The PT Artelindo Wiratama concession area is of critical importance for the Sumatran tiger because it forms a corridor for migration between Bukit Tigapuluh National Park and the Rimbang Baling nature reserve to the northwest, in Riau province.<sup>231</sup> As such, according to WWF, “the natural forest being converted should tentatively be considered High Conservation Value Forest.”<sup>232</sup>

In its disclosure of raw material suppliers to the Ministry of Forests, PT Indah Kiat listed PT Artelindo Wiratama as supplying almost 42,000m<sup>3</sup> of pulpwood in 2009.<sup>233</sup>

In the same year, the Ministry of Forestry authorised the company to produce over 360,000m<sup>3</sup> of rainforest logs (i.e. Mixed Tropical Hardwood or MTH) and around only 5,000m<sup>3</sup> of acacia pulpwood (i.e. from plantations).<sup>234</sup>

PT Artelindo Wiratama could, therefore, have supplied a maximum of 5,000m<sup>3</sup> of acacia pulpwood to PT Indah Kiat. However, recent Greenpeace investigations including aerial images taken in March and April 2010, as well as Ministry of Forestry land cover maps,<sup>235</sup> show that the company had not yet established any harvestable acacia plantations.<sup>236</sup> Instead, PT Artelindo Wiratama continues to clear rainforests in the area.<sup>237</sup>

On the ground investigations by Greenpeace in March 2009 show that the logs from this concession were transported by truck to APP's PT Indah Kiat mill in Perawang, Riau Province.



**5** Location: Lat. S 0° 13.45'  
Long. E 102° 52.73'  
Date: April 28 2010: 17:42

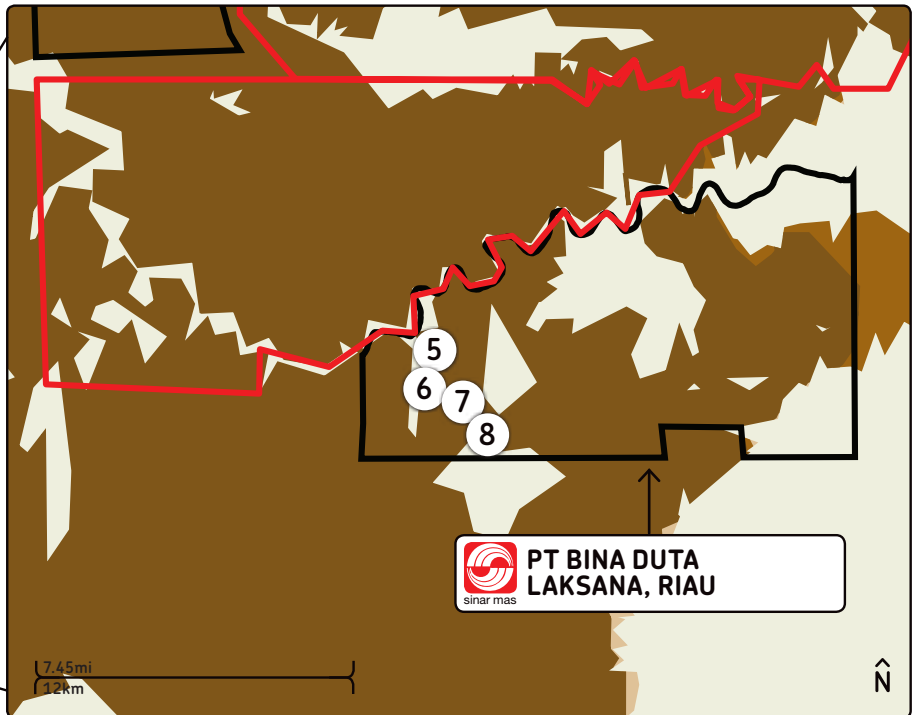
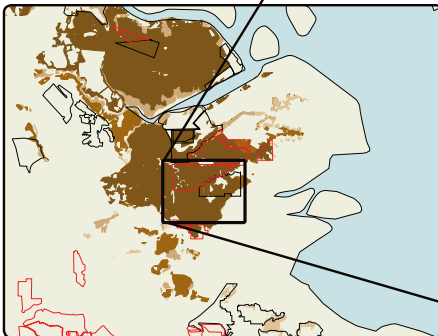


**6** Location: Lat. S 0° 14.36'  
Long. E 102° 53.20'  
Date: April 28 2010: 17:41



**7** Location: Lat. S 0° 13.88'  
Long. E 102° 52.74'  
Date: April 28 2010: 17:41

- Sinar Mas pulpwood expansion targets
- Sinar Mas pulpwood existing concessions
- Forested tiger habitat on peatland (by peat depth)
- 0.5m
- 1m
- 1-2m
- 2-4m
- >4m



**PT BINA DUTA LAKSANA, RIAU**  
sinar mas



**8** Location: Lat. S 0° 13.68' Long. E 102° 52.50'  
Date: April 28 2010: 17:41

# KERUMUTAN PEAT SWAMP FOREST



***“APP’s fiber suppliers are committed to ... setting aside natural peat swamp forests of unique and special merit for permanent conservation and carbon storage.”***

APP 2007 ENVIRONMENTAL AND SOCIAL SUSTAINABILITY REPORT FOR INDONESIA, APP (2009b)

Covering 1.3 million hectares, the Kerumutan Peat Swamp Forest is one of the most critically threatened landscapes in the Province of Riau.<sup>238</sup> It has been designated one of the regional priority landscapes for conserving tigers.<sup>239</sup> A conservation initiative aims to formally protect less than 10 per cent of the area, consisting of a core area of 93,000 hectares, as a Kerumutan Wildlife Reserve and a further 52,000 hectares as a Peat Swamp Protection Area.<sup>240</sup>

Ninety percent of the area has been designated for plantation development,<sup>241</sup> of which Sinar Mas now controls 104,000 hectares under pulpwood concessions.

One of Sinar Mas’ pulpwood concession holders in the area is PT Bina Duta Laksana.<sup>242</sup> This concession covers more than 30,000 hectares and is, according to maps developed by Wetlands International, mostly located on peatland deeper than three metres,<sup>243</sup> it is illegal to destroy peatland of that depth to establish a plantation under Indonesian law.<sup>244</sup>

In their disclosure of raw material suppliers to the Ministry of Forests, PT Indah Kiat listed PT Bina Duta Laksana as supplying over 80,000m<sup>3</sup> of pulpwood in 2009. The neighbouring concession, PT Mutiara Sabuk Khatulistiwa, was listed as supplying almost 99,000m<sup>3</sup>.<sup>245</sup>

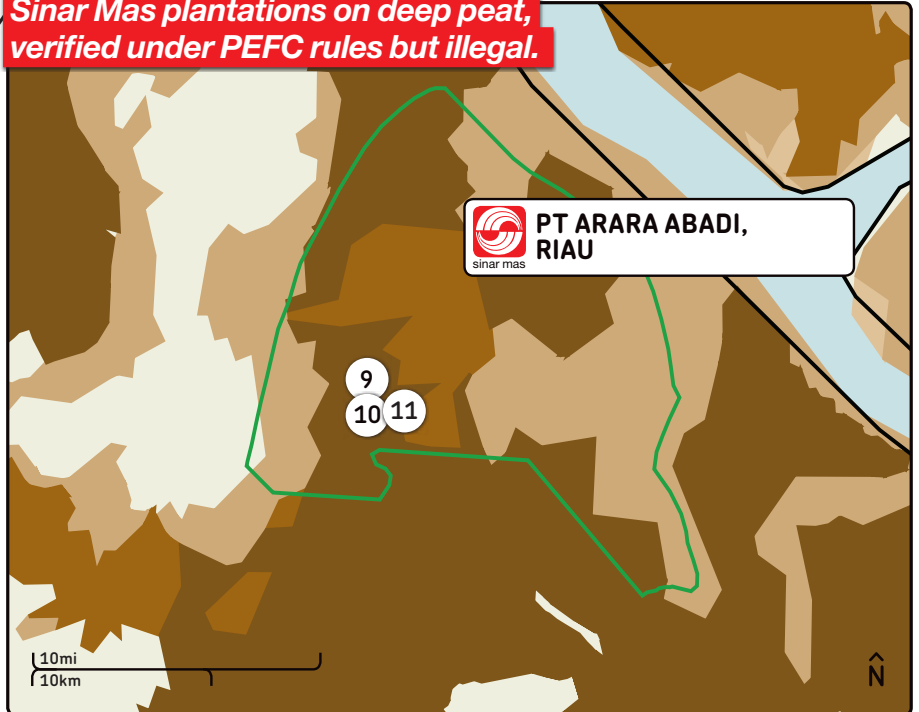
Ministry of Forestry maps for 2003 and 2006<sup>246</sup> show that neither company had established any pulpwood plantations in these areas. Assuming that these maps were accurate, the pulpwood supplied from these concessions was 100 per cent rainforest logs (i.e. Mixed Tropical Hardwood or MTH).

An investigation by Greenpeace in September 2009 shows that Sinar Mas was clearing in PT Bina Duta Laksana and transporting logs by barge to APP’s PT Indah Kiat mill in Perawang, Riau Province.<sup>247</sup> In April 2010, Greenpeace documented ongoing clearing in PT Bina Duta Laksana.<sup>248</sup>



- All peatland by depth
- 1-2m peat
  - 2-4m peat
  - > 4m peat
  - Sinar Mas pulpwood concessions  
(verified under PEFC rules as non-controversial)

**Sinar Mas plantations on deep peat, verified under PEFC rules but illegal.**



**PT ARARA ABADI, RIAU**  
sinar mas



**9** Location: Lat. N 0° 49.26' Long. E 102° 8.95'  
Date: April 28 2010: 14:53



**10** Location: Lat. N 0° 48.48' Long. E 102° 9.14'  
Date: April 28 2010: 14:50



**11** Location: Lat. N 0° 48.33' Long. E 102° 9.75'  
Date: April 28 2010: 17:49



# CERTIFYING BAD PRACTICE - CONTROVERSY IN THE MIX

**“Over 2.5 million hectares of peat land allocated for development is believed to be more than three metres deep, which is protected by law.”**

INDONESIAN NATIONAL DEVELOPMENT PLANNING AGENCY, 2009<sup>234</sup>

Knowing that a growing number of customers are seeking products certified as not coming from illegal or controversial sources,<sup>249</sup> APP has had a number of its mills' chains of custody certified under the *Programme for the Endorsement of Forest Certification* (PEFC) scheme.<sup>250</sup>

To bear the PEFC logo, a product must contain 70 per cent minimum of PEFC-certified virgin fibre, and the remaining material in the product must come from 'verified non-controversial sources'. However, as there are no PEFC-certified forests or plantations in Indonesia,<sup>251</sup> any production of PEFC products by APP involves the import of PEFC certified pulp from other countries. This pulp is then mixed with 'verified non-controversial material'<sup>252</sup> (i.e. non-certified timber) from a number of concessions in Sumatra. Serious questions remain as to how any such timber produced by APP companies can be classified as 'non-controversial'.

**The company claims that its pulp mills in Sumatra, PT Indah Kiat and PT Lontar Papyrus, have introduced:**<sup>253</sup>

**“PEFC procedures for avoidance of raw material from controversial sources...verified by an independent third party certification body in order to provide confidence that no illegal or controversial wood enters the mills' fibre supply chain.” (APP Stakeholder Update, May 2008)**

The reality is that none of the raw materials entering these mills had been officially verified under PEFC rules. In fact, at the time that this statement was written, neither of the mills even had PEFC Chain of Custody certification.<sup>254</sup> Following correspondence with Greenpeace, PEFC confirmed that APP has been asked to “modify the statement to avoid any potential misinterpretation”.<sup>255</sup>

Elsewhere, APP has claimed that these two mills “have been verified by an independent third-party certification body in order to provide confidence that no illegal or controversial wood enters the mills' fibre supply chain.”<sup>256</sup> (This text appears above two images of audit certificates for these mills, issued by SGS auditors.)

Asked by Greenpeace for details of this verification, an SGS auditor replied:<sup>257</sup> “I cannot confirm that SGS has actually done an audit at the mills to confirm that all material received at these mills is covered by the SGS verifications.” (SGS' emphasis)

SGS has more recently confirmed to Greenpeace that no such audit has taken place.<sup>258</sup>

In 2009, according to Ministry of Forestry data,<sup>259</sup> PT Indah Kiat continued to receive rainforest logs (i.e. MTH). As shown above, Greenpeace investigations illustrate that the company continues to source rainforest logs from tiger habitat and peatland forests, both considered highly controversial.

In addition, acacia logs were supplied to PT Indah Kiat from plantations that were established on peat deeper than three metres,<sup>260</sup> which is illegal under Indonesian law.<sup>261</sup> As of 2006, 213,000 hectares of acacia plantations inside Sinar Mas-controlled concessions were located on peatlands, with at least 50,000 hectares located on peatland deeper than three metres.<sup>262</sup>



***The brands still buying destruction***



**WAL★MART®**

**Carrefour** 

**PaperlinX**

**WHSmith**

 **Corporate Express**

 **HEWLETT®  
PACKARD**

# SINAR MAS: THE 'GREAT PERIL' TO YOUR BRAND

While APP is actively trying to convince potential customers of its sustainability credentials, several large multinational companies have already severed ties with APP after it was unable to address their concerns.

## Office supplies retailer, Staples, sourced about 9 per cent of its total paper supply from APP.<sup>263</sup>

Following allegations against the company, Staples chose the route of positive engagement, trying to encourage APP to change. In 2008, it severed all contracts with the group, claiming that “engagement was not possible anymore” and that to remain a customer of APP would be “at great peril to our brand”.<sup>264</sup>

Along with Staples,<sup>265</sup> other well known brands and global players such as: Office Depot,<sup>266</sup> Woolworths (Australia),<sup>267</sup> Franklin Covey; Fuji Xerox; Ricoh; Target; Unisource; H&M; and Gucci have all decided to stop buying from APP.<sup>268</sup>

Other international companies including Kimberly Clark, Kraft, Nestlé and Unilever,

are in the process of implementing global sustainability policies for pulp and paper. These policies will exclude paper products from APP unless it makes substantial improvements to the sustainability of its fibre supplies.<sup>269</sup>

Meanwhile a number of international non-governmental organisations have also dropped working relationships with APP. These include WWF, the certification body Rainforest Alliance Smart Wood (US) and the international forest certification body the Forest Stewardship Council (FSC).

In 2004, WWF ended its partnership agreement with APP after the group refused to stop converting natural forest to plantations:

*“In APP’s assessment, it sees any forest as ‘degraded’ and ready for conversion to plantation...APP was asked to redo their assessment. WWF said APP has been doing a lot of logging in good forest, so why not suspend all logging operations in native forest. The company said ‘not possible’”.<sup>270</sup>*

- Since then, WWF has been calling on companies to demand that APP stop its unsustainable practices.<sup>271</sup>
- In 2007, the Rainforest Alliance’s Smart Wood programme withdrew co-operation with APP, stating that:<sup>272</sup>
- **“Rainforest Alliance has determined that we can no longer be perceived as part of that effort to mislead the public and APP/Sinar Mas customers.”**
- In 2007, the FSC dissociated itself from APP and revoked a number of its chain of custody certificates:<sup>273</sup>

***“...the FSC Board of Directors decided that FSC should not allow any association of its name with APP or any company in which APP is a majority shareholder, unless APP completely and immediately stops converting natural forests and provides documented evidence of that cessation.”***



Office depot

STAPLES



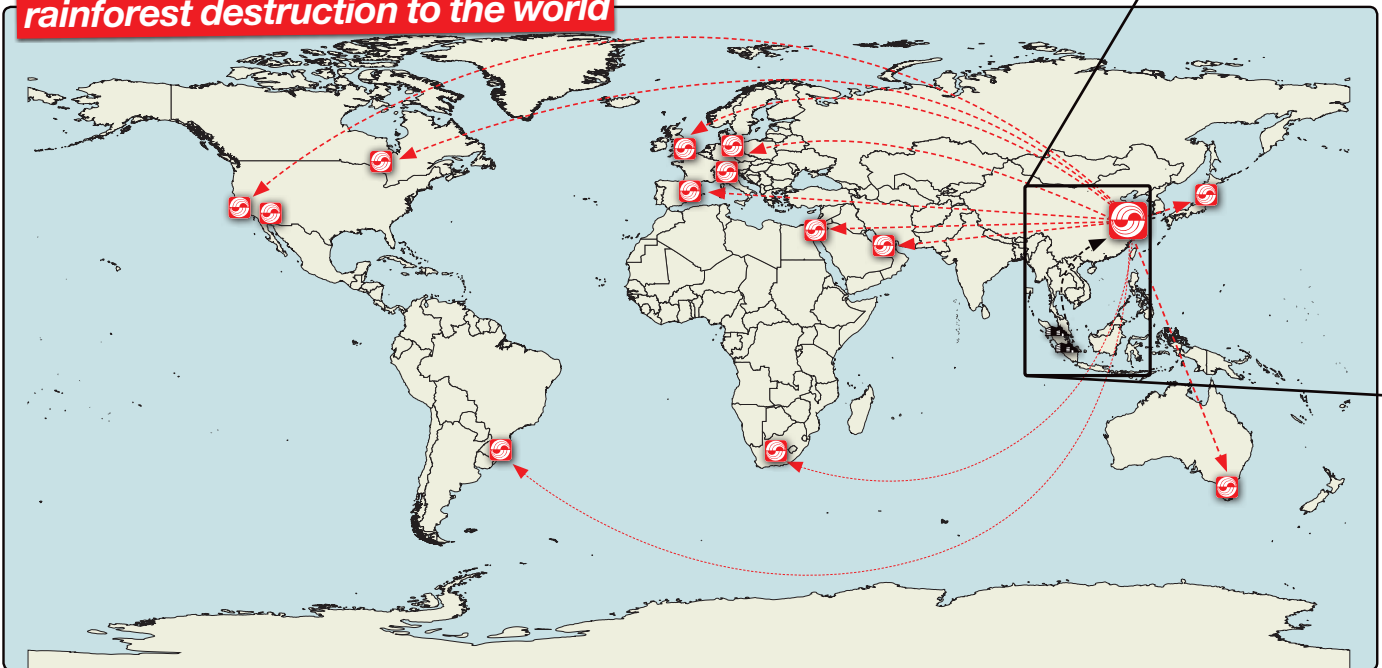
H&M



# WHICH CUSTOMERS CONTINUE TO PROP UP SINAR MAS?



**How Sinar Mas is 'laundering' rainforest destruction to the world**



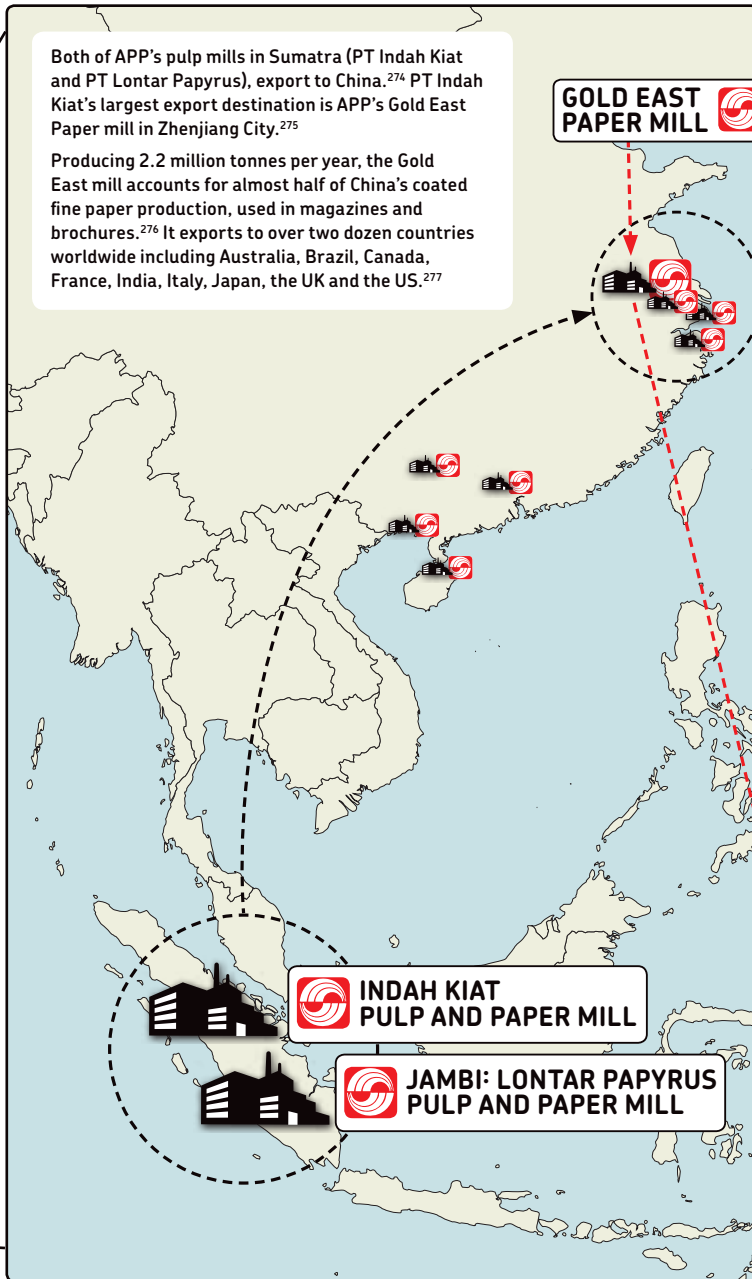
Recent research by Greenpeace shows that many other international companies are still buying or selling paper products sourced from APP. These include:

French supermarket chain **Carrefour** (eg in Indonesia, China); US supermarket chain **Walmart** (in China);<sup>278</sup> French supermarket chain **Auchan** (in China);<sup>279</sup> British supermarket chain **Tesco** (in China);<sup>280</sup> British retail group **WH Smith** (in the UK);<sup>281</sup> US information technology multinational **Hewlett Packard** (in Brazil);<sup>282</sup> US fast-food chain **Kentucky**

**Fried Chicken** (in China);<sup>283</sup> Dutch Office supplies company **Corporate Express**;<sup>284</sup> and Australian global paper merchant **PaperlinX** (e.g. in Australia and the UK).<sup>285</sup>

In October 2009, Greenpeace tested<sup>286</sup> paper products from APP's Gold East Paper mill in China to see if they were made using fibre from tropical rainforests or plantations. The tests were carried out through an independent laboratory. Out of the five papers tested, four proved positive for rainforest fibre (i.e. Mixed Tropical Hardwood or MTH).

APP China's Gold East Paper mill accounts for almost half of China's coated fine paper production.<sup>287</sup> It exports to over two dozen countries<sup>288</sup> and is the single largest export destination from APP's Riau-based pulp mill, PT Indah Kiat.<sup>289</sup> Customers of the mill's paper include many high-profile magazines and books including as **Chinese National Geographic**; **CNN Traveller**; **COSMO** (published by National Geographic); **Cosmo Girl** (published by Cosmopolitan); **ELLE**; **Esquire**; and **Marie Claire**.<sup>290</sup>



**End users and retailers  
APP China paper products**



**End users of paper from  
APP's Gold East Paper mill**





**9 March 2010: Sinar Mas continues to destroy peatland forests in West Kalimantan for oil palm development. The peatland area is greater than three metres deep, which is illegal to destroy under Indonesian law.**





## THE PALM OIL TRAIL – OTHER SINAR MAS PARTNERS IN CRIME

Some international companies – such as Kraft, Nestlé and Unilever – have stopped buying palm oil from Sinar Mas. However the following companies, listed as customers of Sinar Mas' palm oil division in June 2009,<sup>291</sup> have not yet made similar commitments:<sup>291</sup>

- Campbell Soup Company (US); Burger King (US); Dunkin Donuts; Pizza Hut (US); and Shiseido (Japan).
- Two of the largest palm oil traders in the world – Cargill (US) and Wilmar (Singapore) – are still buying from Sinar Mas and trading to a variety of their customers.<sup>292</sup>

In addition, the French supermarket chain Carrefour, is still selling Sinar Mas own brands of palm oil products in its stores in Indonesia.<sup>293</sup>



# WILL SINAR MAS SUPPORT THE IMMEDIATE PROTECTION OF ALL PEATLANDS AND A MORATORIUM ON FOREST CLEARANCE?

**“Peatlands contribute almost 50 percent of Indonesia’s GHG emissions, yet development in peatlands probably contributes to less than 1 percent to the national economy.”**

INDONESIAN NATIONAL DEVELOPMENT PLANNING AGENCY, BAPANAS (2009)

**“Emissions from peatland are expected to increase by 20 percent, reaching 1.2 Gt CO<sub>2</sub>e in 2030 through the continued conversion of peatland.”**

INDONESIAN NATIONAL CLIMATE CHANGE COUNCIL (2008b)

In a letter to Greenpeace International in January 2010,<sup>294</sup> APP claims that it “supports President Susilo Bambang Yudhoyono’s pledge to reduce carbon emissions by 26% by 2020 [and is] committed to making its carbon footprint as small as possible.”

In September 2009, Indonesian President Susilo Bambang Yudhoyono announced its climate change targets to G-20 leaders, stating that Indonesia will:<sup>295</sup>

*“reduce [its GHG] emissions by 26% by 2020 from BAU (Business As Usual). With international support, we are confident that we can reduce emissions by as much as 41%. **This target is entirely achievable because most of our emissions come from forest-related issues, such as forest fires and deforestation.**”* (emphasis added by Greenpeace)

President Yudhoyono’s targets could lead to substantial reductions in Indonesia’s GHG emissions:<sup>296</sup>

26 per cent target: predicted 2020 emissions would need to be cut to around 90 per cent of Indonesia’s 2005

emissions (i.e. equivalent to a reduction of 163MtCO<sub>2</sub> on 2005 annual emissions).

41 per cent target: predicted 2020 emissions would need to be cut to nearly 75 per cent of Indonesia’s 2005 emissions (i.e. equivalent to a reduction of 586MtCO<sub>2</sub> on 2005 annual emissions).

As 80 per cent of Indonesia’s GHG emissions are mostly from the conversion of rainforests and peatlands,<sup>297</sup> these “forest-related” emissions would have to be severely cut in order to meet President Yudhoyono’s targets as described above.<sup>298</sup>

In May 2010, as a first step to achieving its targets, President Yudhoyono announced a two year moratorium on the granting of any “new concessions on conversion of natural forests and peatlands into plantations”.<sup>299</sup> This was part of a USD 1 billion ‘cooperation agreement’ between the Norwegian and Indonesian Governments.<sup>300</sup>

The moratorium does not apply to the conversion of natural forests and peatlands within existing concessions,

so does not affect the hundreds of thousands of hectares of forested concessions that Sinar Mas has already acquired but which have not yet been converted. This includes the forested concessions that Sinar Mas controls for both pulp and oil palm plantations.<sup>301</sup>

Of the pulpwood concessions Sinar Mas acquired since 2007, around 30,000 hectares are located on peatland areas over three metres deep, and therefore illegal to destroy, and over 100,000 hectares are located on peatland less than three metres deep.<sup>302</sup>

APP is continuing to expand its pulp and palm oil operations into Indonesia’s remaining rainforests and carbon-rich peatlands. At the same time, annual emissions from peatlands are forecast to increase by 20 per cent due to the “continued conversion of peatland.”<sup>303</sup> It is therefore clear that if APP continues business as usual it will undermine the government’s aims to reduce its contribution to global climate change.



# GLOBAL ACTION TO TACKLE CLIMATE CHANGE

Greenpeace is urging all companies to immediately drop their contracts with the Sinar Mas group until it has taken the necessary steps to ensure that it is no longer involved with forest and peatland destruction.

## STOP THE DESTRUCTION

- Stop trading with companies within the Sinar Mas group. As well as Sinar Mas Forestry and Asia Pulp & Paper (APP), this includes Golden Agri Resources (GAR) and its subsidiaries which supply palm oil.
- Implement a time-bound plan to phase out palm oil and pulp products from third-party suppliers who trade with the Sinar Mas group of companies.

## START THE SOLUTION

- Introduce a zero-deforestation policy that includes a set of requirements which suppliers must meet for all commodities linked to deforestation and peatland destruction, including those linked to palm oil and pulp and paper.
  1. Only purchase from plantations that operate in compliance with local laws and national regulations;
  2. Protect natural forest areas<sup>304</sup> and peatlands from conversion;
  3. Ensure free prior and informed consent of indigenous peoples and other traditional forest users, as well as the participation of local communities for all decisions on development and activities;
  4. Establish supply chain traceability and segregation systems, including third party verification and monitoring to ensure only forest products from management units that have met the above criteria enter the supply chain;
  5. Invest in business practices that avoid deforestation, such as improving yields on existing plantations and ensuring greater market access for smallholders;
- Introduce a paper procurement policy which sets ambitious targets to use as much post-consumer recycled paper as possible, and ensures that any virgin fibre is certified to the standards of Forest Stewardship Council (FSC) or equivalent certification system;
- Publicly support an Indonesian government led moratorium on forest clearance and peatland.

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- 233 Ministry of Forestry document 2010, copy held by Greenpeace International
- 234 Around 60% of which has with a diameter greater than 30cm. Source: Ministry of Forestry document 2010, copy held by Greenpeace International
- 235 MoFor (2009d); MoFor (2006)
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- 274 Confidential 2009 trade data, copy held by Greenpeace International
- 275 Confidential 2009 trade data, copy held by Greenpeace International
- 276 In 2008 Gold East Paper produced 2.2 million tonnes of coated fine paper. Source: Gold East Paper (2009). Chinese total production amounted to 4.6 million tonnes in the same year. Source: China Paper Association (2008)
- 277 CTI (2010)
- 278 Greenpeace China investigations 2010
- 279 Greenpeace China investigations 2010
- 280 Tesco stocks various APP China brand products in its retail outlets in China. Greenpeace China investigations 2010
- 281 WH Smith stocks various stationary products of APP-related company Collins (Nippcraft)
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- 283 Greenpeace China investigations 2010; see also Ningbo Asia Paper website, Products [www.nbasia.com.cn/en-products.asp](http://www.nbasia.com.cn/en-products.asp)
- 284 Corporate Express (2010)
- 285 PrintWeek 2009. See also Spicers Global products [www.spicers.com.au/index.asp?menuid=100.030.080&artid=232](http://www.spicers.com.au/index.asp?menuid=100.030.080&artid=232) (viewed 8 June 2010). Sinar Royal and Sapphire are Sinar Mas brands. PaperlinX operates worldwide through subsidiaries including PaperCo, Robert Thorne & Howard Smith (all UK), PaperNet (AT), Deutsche Papier (DE), Polyedra (IT), Spicers Paper (HK, MY, SG, AUS, CDN, US), Paperpoint (AUS), Coast Paper (CDN) and many others
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- 287 In 2008 Gold East Paper produced 2.2 million tonnes of coated fine paper. Source: Gold East Paper (2009). Chinese total production amounted to 4.6 million tonnes in the same year. Source: China Paper Association (2008)
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- 297 NCCC (2009a)
- 298 NCCC (2009a)
- 299 Government of Norway (2010).
- 300 Government of Norway (2010).
- 301 EoF (2010); Greenpeace International (2007); Greenpeace International (2008a); Greenpeace International (2008b); Greenpeace UK (2009); Greenpeace International (2010a); Greenpeace International (2010b)
- 302 Greenpeace International mapping analysis is based on the Wetlands International peat distribution maps and concession data released by the Ministry of Forestry in 2010
- 303 NCCC (2009b)
- 304 Forested areas are defined as greater than 10 per cent canopy cover







# GREENPEACE

Greenpeace is an independent global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment and to promote peace.

Greenpeace is committed to stopping climate change.

We campaign to protect the world's remaining ancient forests and the plants, animals and peoples that depend on them.

We investigate, expose and confront the trade in products causing forest destruction and climate change.

We challenge governments and industry to end their role in forest destruction and climate change.

We support the rights of forest peoples.

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