

Removing the Corporate Mask



An Assessment of the Ownership and Management Structures of Asia Pulp & Paper's Declared Wood Suppliers in Indonesia



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Abbreviations and Acronyms

APP	Asia Pulp & Paper
BHKP	bleached hardwood kraft pulp
CSO	civil society organization
Ditjen AHU	<i>Direktorat Jenderal Administrasi Hukum Umum</i> (Directorate General of Public Law Administration)
FATF	Financial Action Task Force on Money Laundering
FCP	Forest Conservation Policy
FSC	Forest Stewardship Council
GAR	Golden Agri-Resources Ltd
GEAR	Golden Energy and Resources Ltd
ha	hectares
HTI	<i>Hutan Tanaman Industri</i> (industrial forest plantation concession)
Ltd	Limited
NEA	National Environment Agency (Singapore)
PT	<i>Perseroan Terbatas</i> (Limited Liability Corporation)
RPBBI	<i>Rencana Pemenuhan Bahan Baku Industri</i> (Industrial Raw Material Supply Plans)
SMART	PT Sinar Mas Agro Resources & Technology Tbk
SMG	Sinar Mas Group
Tbk	<i>Terbuka</i> (publicly listed company)

Executive Summary

In 2015, following Indonesia's disastrous forest and peatland fires, Asia Pulp & Paper (APP) – Indonesia's largest pulp and paper producer – denied owning or controlling two forest plantation companies in Sumatra that had experienced some of the worst burning. While acknowledging that PT Bumi Mekar Hijau and PT Sebangun Bumi Andalas Wood Industries are suppliers of wood fiber to the group's pulp mills, APP claimed the companies are "independently owned and operated." Yet a detailed analysis of those firms' corporate registry documents show apparent close links with the Sinar Mas Group, APP's parent conglomerate.

This reportⁱ analyzes the ownership and management structures of APP's 33 declared pulpwood suppliers in Indonesia – which control 2.6 million hectares of HTI plantation concessionsⁱⁱ – and of two companies that APP has recently named as prospective suppliers. The study aims to assess the degree to which current and prospective supplier companies that APP has deemed to be "independent" partners may, in fact, have links through ties of ownership or management to APP and/or the Sinar Mas Group. The analysis is based on a review of 78 companies' official corporate registry profiles published by the Directorate General of Public Law Administration, in the Government of Indonesia's Ministry of Law and Human Rights. These corporate registry profiles are current as of April 16, 2018.

Of the 27 forest plantation companies (holding 31 HTI concession licenses) that APP has described as being "independent" partners, at least 24 companies (holding 29 HTI concession licenses) show apparent close links with the Sinar Mas Group. The 24 forest plantation companies are owned by groups of holding companies, a majority of which are or recently were registered in offices located at the same street address as the Sinar Mas Group's corporate headquarters (Plaza BII, Jl Thamrin No 51, Central Jakarta) or at Wisma Indah Kiat, which shares an address with PT Indah Kiat Pulp & Paper Tbk, an APP paper mill in Serpong, outside of Jakarta (Jl. Raya Serpong Km 8, Serpong Utara, Tangerang, Banten).

Publicly available sources, including social network profiles and media reports, indicate that many of the 24 "independent" supplier companies with apparent links to Sinar Mas also have shareholders, commissioners, and directors who appear to be current or past employees at entities affiliated with the Sinar Mas Group. The majority and minority shareholdings of these 24 supplier companies flow through 22 holding companies to eight individuals, seven of whom appear to be current or past employees of entities controlled by the Sinar Mas Group, such as Sinar Mas Forestry. Sources indicate these individuals have held positions including in the human resources department of PT Wirakarya Sakti and the finance and accounting department of PT Arara Abadi, both large HTI plantation companies that APP acknowledges it owns.

Within this group of 24 "independent" suppliers, the majority and minority shareholders who are apparently linked to Sinar Mas also hold many of the director and commissioner positions in the HTI concession companies and affiliated holding companies. Of the 45 other people who hold commissioner and director positions, publicly available sources indicate that another 16 appear to be either current or past employees of entities affiliated with the Sinar Mas Group. Sources indicate these individuals have held positions including as Sinar Mas Forestry's head of corporate tax, costing head, and director of contract management services.

i The information in this report was originally presented to the Forest Stewardship Council (FSC) on May 2, 2018 in Bonn, Germany by members of the Stakeholder Working Group, as part of the FSC's roadmap to end its dis-association from Asia Pulp & Paper.

ii HTI is an acronym for *Hutan Tanaman Industri*, or industrial forest plantation. Issued by the Ministry of Environment and Forestry, HTI concession licenses allow commercial forestry companies to clear natural forest from a concession area and to establish monoculture timber or pulpwood plantations within the government-administered Forest Estate.

Taken together, the ownership and management data for 24 of the 27 wood supplier companies described by APP as “independent” partners appear to have close links with the Sinar Mas Group and related entities. The consolidation of HTI concession company ownership into shares apparently held by current and past employees of companies affiliated with the Sinar Mas Group raises the possibility that these are nominee structures that could be used for various purposes, including risk management and/or the avoidance or evasion of tax obligations.

Five family members of Sinar Mas Group founder, Eka Tjipta Widjaja, and over 20 offshore companies are the beneficial owners of APP’s pulp and paper mills in Indonesia and of four other HTI plantation companies APP acknowledges owning (including PT Wirakarya Sakti). According to government corporate registry documents, these interests flow through PT Purinusa Ekapersada, a holding company which owns the APP brand and in which much of APP and the Sinar Mas Group’s pulp and paper holdings are consolidated. The offshore companies are incorporated in Singapore, Hong Kong, the British Virgin Islands, Mauritius, Japan, Malaysia, and the Netherlands. In a holding company structure that excludes PT Purinusa Ekapersada, the same Widjaja family members are the beneficial owners of two other HTI plantation companies that APP acknowledges owning, including PT Arara Abadi.

Within the complex corporate structure of the Sinar Mas Group, it is notable that the group’s holding companies also control sizeable areas of licensed HTI concessions that have not been declared as suppliers to APP’s mills. For example, the majority ownership of PT Hutan Rindang Banua, which has an HTI concession license for 265,095 ha in South Kalimantan, flows into some of the same holding companies as APP’s “owned” HTI plantation companies and pulp and paper mills. However, PT Hutan Rindang Banua’s plantation concession is apparently not covered under APP’s Forest Conservation Policy or, at least through May 2018, under APP’s roadmap process to end its disassociation from the Forest Stewardship Council.

In March 2018, President Joko Widodo issued a new regulation (Presidential Regulation 13/2018) requiring all companies in Indonesia to declare their beneficial owners within one year. Designed to curtail money laundering and terrorism financing, the new regulation on beneficial ownership promises to have significant impacts in Indonesia’s natural resource sectors by stemming the loss of tax revenue and raising corporate accountability. This report aims to support the Government’s efforts by tracing out the corporate network of Asia Pulp & Paper – which, until now, has largely been hidden behind a mask of corporate secrecy.

I. Wood supply and Asia Pulp & Paper's corporate mask

For several months during 2015, disastrous fires burned 2.6 million hectares (ha) of forests and peatlands in Indonesia, mainly in Sumatra and Kalimantan.¹ The resulting noxious haze caused regional economic impacts totaling tens of billions of dollars and created a health emergency for millions of people in Indonesia, Singapore, and Malaysia.² In its initial response to the fires, the Government of Indonesia suspended the business licenses of 16 companies operating industrial forest plantation concessions (*Hutan Tanaman Industri*, HTI) and oil palm estates.³

In South Sumatra, the province hardest hit by the 2015 fires, the suspended firms included PT Bumi Mekar Hijau and PT Sebangun Bumi Andalas Wood Industries.⁴ In late-2015, the Ministry of Environment and Forestry also sued PT Bumi Mekar Hijau for burning 20,000 ha within its concession during 2014, resulting in an appeals court conviction and a fine of Rp 78.5 billion (US\$5.9 million).⁵ Asia Pulp & Paper (APP), Indonesia's largest pulp and paper producer, has acknowledged that both of these companies are suppliers of wood fiber to its mills in Sumatra.⁶ However, in media reports, APP claimed the two companies were "independently owned and operated".⁷

In the context of APP's current Forest Conservation Policy (FCP), initiated in February 2013, the company has made similar claims about a significant majority of the 33 HTI plantation concession companies which it has declared to be wood suppliers to its mills. Specifically, APP has described 27 of these supplier companies to be "independent partners", while referring to the other six suppliers as "APP companies" or "owned" suppliers.⁸

In December 2017, however, the Associated Press published the results of an investigation which identified much closer links between APP and its wood suppliers than the company had theretofore acknowledged.⁹ In a two-part media story, the Associated Press documented ownership and management ties "between Sinarmas [APP's parent conglomerate, also known as the Sinar Mas Group], its pulp and paper arm and nearly all the 27 plantation companies that it has told the outside world are independent."¹⁰ As the Associated Press notes:

The full picture of what benefits Sinarmas obtains by obscuring the true extent of its ties to the plantation companies is unclear. But the perception that these suppliers are independent has been a crucial public relations weapon in the past few years, allowing it to minimize responsibility whenever controversy strikes.

1 World Bank. 2015. "Reforming amid uncertainty." *Indonesia Economic Quarterly*, December. <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/12/844171450085661051/IEQ-DEC-2015-ENG.pdf>.

2 World Bank. 2015. *Op. cit.*

3 *Jakarta Post*. 2015. "Indonesia punishes 23 companies for causing forest fires." December 23. <http://www.thejakartapost.com/news/2015/12/23/indonesia-punishes-23-companies-causing-forest-fires.html>.

4 Soeriaatmadja, Wahyudi. 2015. "Haze fires: Indonesia blames 16 firms, identifies them by their initials." *Straits Times*, December 22. <https://www.straitstimes.com/asia/se-asia/haze-fires-indonesia-blames-16-firms-identifies-them-by-their-initials>.

5 Chan, Francis and Arlina Arshad. 2016. "Pulp firm Bumi Mekar Hijau found guilty of starting illegal fires in Indonesia." *Straits Times*, August 31. <https://www.straitstimes.com/asia/se-asia/pulp-firm-bumi-mekar-hijau-found-guilty-of-starting-illegal-fires>.

6 Lim, Joyce. 2015. "Asia Pulp & Paper: Suspended suppliers independently owned." *Straits Times*, December 25. <http://www.straitstimes.com/business/companies-markets/asia-pulp-paper-suspended-suppliers-independently-owned>.

7 Lim, Joyce. 2015. *Op. cit.*

8 Asia Pulp & Paper. 2014. *Sustainability Report 2013*. https://www.asiapulppaper.com/sites/default/files/download/app_sustainability_report_2013_final.pdf.

9 Wright, Stephen. 2017a. "Pulp giant tied to company accused of fires." *Associated Press*, December 20. <https://www.apnews.com/fd4280b11595441f81515daef0a951c3>. Wright, Stephen. 2017b. "Pulp giant stirs new conflicts with Indonesian villagers." *Associated Press*, December 21. <https://www.apnews.com/6b58f7083e404ff59dd4700b4cf367a7>.

10 The Associated Press article stated: "An internal Asia Pulp & Paper document seen by AP states it has 'significant influence' over an unspecified number of its wood suppliers through the provision of loans, assets and services, long-term wood purchasing agreements and 'unusual trading relationships.' The same document still insists these companies are 'independent.'"

... The AP findings suggest Sinarmas has a greater degree of responsibility for Indonesia's annual dry-season fires than previously known.¹¹

As the case of APP and the Sinar Mas Group may suggest, business groups often use complex corporate structures to obscure links to their beneficial owners.¹² In many cases, such arrangements involve nominee shareholders,¹³ layers of holding companies, and shell companies¹⁴ in offshore jurisdictions, which make the links to the ultimate beneficial owners of these entities difficult to recognize.¹⁵ Companies frequently use such structures to avoid or evade tax obligations and to shield beneficial owners from legal and reputational risks. In the natural resource sectors and extractive industries – which in Indonesia include mining, petroleum and natural gas, forestry, fisheries, and agro-industrial plantations – companies also use complex corporate structures to evade responsibility for environmentally destructive or controversial practices.

In March 2018, President Joko Widodo issued a new regulation (Presidential Regulation 13/2018) requiring that all companies in Indonesia declare their beneficial owners within one year.¹⁶ Designed to curtail money laundering and terrorism financing, the regulation on beneficial ownership promises to have significant impacts in the natural resource sectors by stemming the loss of tax revenue and increasing corporate accountability. This report aims to support the Government's efforts by tracing out the corporate network of Asia Pulp & Paper – which, until now, has largely been hidden behind a mask of corporate secrecy.

II. Purpose and scope of the study

This report analyzes the ownership and management structures of APP's declared pulpwood suppliers in Indonesia and of two companies that APP has recently named as prospective suppliers. The study aims to assess the degree to which current and prospective supplier companies that APP has deemed to be "independent" partners may, in fact, have links through ties of ownership or management to APP and/or its parent conglomerate, the Sinar Mas Group.

The coalition of civil society organizations (CSO's) publishing this analysis is doing so to promote greater transparency and accountability among corporate actors in Indonesia's pulp and paper industry and commercial forestry sector. More specifically, this report is intended to support the Government's initiative under Presidential Regulation 13/2018 to establish the principle of identifying the beneficial owners of companies incorporated in Indonesia. Ultimately, the report aims to strengthen the contributions of the pulp and paper industry and commercial forestry sector to Indonesia's national economic development over the long term.

11 In response to the Associated Press articles, APP stated, "All APP suppliers are held to the same high standards, regardless of ownership. We therefore cannot understand how the ownership structures weaken our sustainability commitments." See Asia Pulp & Paper. 2017. "Asia Pulp & Paper (APP)'s Response to the Associated Press (AP) Articles". <https://asiapulp.com/news-media/press-releases/asia-pulp-paper-apps-response-associated-press-ap-articles>. Accessed April 30, 2018.

12 Presidential Regulation 13/2018 defines the terms "beneficial owner" as "an individual who can appoint or dismiss directors, board of commissioners, managers, supervisors or officers of the Corporation, has the ability to control the Corporation, holds rights to and/or receives benefits from the Corporation, whether directly or indirectly, represents the actual owner of funds or shares of the Corporation and/or fulfills the criteria set forth in this Presidential Regulation." See President of the Republic of Indonesia, Presidential Regulation 13/2018 on the Application of Principles to Introduce Beneficial Ownership of Corporations in the Framework for the Prevention and Eradication of the Crimes of Money Laundering and the Financing of Terrorism.

13 A nominee shareholder refers to an individual, intermediary, or company holding shares in another corporate entity on behalf of the actual owner or beneficial owner. See De Willebois, Emile van der Does; Halter, Emily M.; Harrison, Robert A.; Park, Ji Won; and Sharman, J. C. 2011. *The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It*. Washington, DC: The World Bank and United Nations Office on Drugs and Crime (UNODC), Stolen Asset Recovery Initiative.

14 The Financial Action Task Force (2014) defines shell companies as "companies that are incorporated that have no significant operations or related assets."

15 FATF. 2014. *FATF Guidance – Transparency and Beneficial Ownership*. October. FATF, Paris, France. <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>. FATF. 2012. *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*. Updated October 2016. FATF, Paris, France. www.fatf-gafi.org/recommendations.html.

16 *Reuters*. 2018. "Indonesia issues rules on company ownership to tackle money laundering". March 7. <https://www.reuters.com/article/us-indonesia-companies-rules/indonesia-issues-rules-on-company-ownership-to-tackle-money-laundering-idUSKCN1GJ0I2>

III. Methods and data

The analysis is based on a review of the corporate profiles (*profil perusahaan*), including lists of shareholders, commissioners, and directors, for each of the companies that APP has declared to be a current or prospective longterm supplier of wood fiber for the group's pulp mills in Indonesia. The primary source documentation used for this analysis are official corporate registry profiles published by the Directorate General of Public Law Administration (*Direktorat Jenderal Administrasi Hukum Umum*, hereafter Ditjen AHU), in the Government of Indonesia's Ministry of Law and Human Rights (*Kementerian Hukum dan Hak Asasi Manusia*).

For each supplier company, the composition of majority and minority shareholders was analyzed to identify potential links to APP and/or the Sinar Mas Group (see Box 1). In cases where equity in a supplier company is held by another corporate entity, the ownership of that holding company was then analyzed to identify such links. In some cases, several layers of holding companies were analyzed to identify the individuals who are the ultimate shareholders. In total, AHU corporate registry documents for 78 individual companies were analyzed, and these records are current as of April 16, 2018 (see Appendix A).

In addition, the names of the individual shareholders, 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 APP and its operating companies, and/or other companies affiliated with the Sinar Mas Group. In many cases, the appearance of linkages between individuals serving as shareholders, commissioners, and/or directors for entities analyzed and APP and/or the Sinar Mas Group were identified or further established through cross-referencing data from AHU corporate registry documents with information found in social network profiles (i.e. Facebook, LinkedIn, etc), media reports, and other publicly available sources.¹⁷

Finally, the registered street address for each company was cross-referenced with known APP and Sinar Mas office locations, such as the group's corporate headquarters in Jakarta and APP's pulp and paper mills on Java and Sumatra.¹⁸

Box 1: Relationship between Asia Pulp & Paper (APP) and the Sinar Mas Group

The Sinar Mas Group is a diversified conglomerate based in Indonesia with commercial operations and corporate assets in a wide range of sectors, including: pulp and paper; forestry; agri-business and food; banking and financial services; energy; mining; infrastructure; and real estate. The group was founded by Eka Tjipta Widjaja and is now controlled by several of his children and grandchildren (hereafter referred to as the Widjaja family). The present study considers the Sinar Mas Group to be the parent conglomerate of the Asia Pulp & Paper Group, within which the group's pulp and paper mills in Indonesia are consolidated.

Corporate documents published by APP refer to the Asia Pulp & Paper Group in various ways. APP's website describes the Asia Pulp & Paper Group as "one of the world's largest pulp and paper companies"

(continued)

17 All claims of documented or apparent linkages among shareholders, commissioners, and/or directors of the companies analyzed in this report are based, at least in part, on the correspondence between the names of individuals listed in the AHU corporate registry documents and the names of individuals reported or alleged to be owners, officers, or employees (current or past) of entities affiliated with APP and/or the Sinar Mas Group. It must be noted that multiple individuals could hypothetically have the same name, particularly in the case of common names. When possible, birthdates are matched between corporate registry documents and other sources to minimize the chances of mixing up individuals who have the same names.

18 It is acknowledged that companies unrelated to APP and the Sinar Mas Group could, in theory, rent office space at these locations. However, the correspondence of the registered addresses of the companies analyzed and known APP and Sinar Mas locations is an important indicator of potential linkages to the group. When considered together with apparent connections among shareholders, commissioners, and/or directors, the correspondence of registered addresses adds to the likelihood that such linkages exist.

and as “one of the world’s largest fully-integrated pulp & paper enterprises.”¹⁹ The APP website provides links to annual reports and financial reports for several of the group’s pulp and paper manufacturing companies located in Indonesia. As of May 11, 2018, such reports are provided for: PT Indah Kiat Pulp & Paper Tbk (for 2009-2017); PT Pabrik Kertas Tjiwi Kimia Tbk (for 2009-2017); PT Lontar Papyrus Pulp & Paper Industry (for 2009-2011); and PT Pindo Deli Pulp and Paper Mills (for 2009-2011).

Separately, in APP’s 2014 Sustainability Report, APP is described as a “trade name” rather than a corporate entity. The 2014 report further suggests that the pulp and paper companies operating under the APP brand in Indonesia obtain wood fiber from a single supplier, Sinar Mas Forestry, which is controlled by an affiliated holding company:

Asia Pulp & Paper Group (APP) is a trade name for a group of pulp and paper manufacturing companies in Indonesia and China. For APP Indonesia operations, each mill or group of mills that operates under the APP brand operates individually as a legal entity with its own individual shareholders. APP Indonesia’s sole fibre supplier, Sinar Mas Forestry is a wholly owned company belonging to the same holding company, Purinusa Ekapersada.²⁰

In previous reports, APP has acknowledged having both common ownership and a close operational relationship with the Sinar Mas Group, and has reported that Sinar Mas Forestry controls the supply of wood fiber to the group’s pulp mills in Indonesia. APP’s 2004 Sustainability Action Plan described this relationship as follows:

APP is a Singapore-registered company encompassing all of the pulp and paper mill operations in Indonesia. It relates to the Sinar Mas Group (SMG) by common ownership. In the context of this report, SMG refers to the collective management of the SMG forestry companies of PT. Arara Abadi and PT. Wirakarya Sakti, which respectively supply the mills in Riau and Jambi. SMG is the main supplier of wood fiber to both of these mills. The common ownership and close relationship between APP and SMG enable effective cooperation. Such cooperation also serves to facilitate management changes and efforts to achieve sustainability. Although the two entities are not legally related, there is a strong market perception that they are one. For this reason APP and SMG are treated as one entity in this Plan unless specifically indicated otherwise.²¹

IV. APP’s pulp mills and declared wood suppliers in Indonesia

In Indonesia, Asia Pulp & Paper operates three mega-scale pulp mills located in Sumatra. These include: PT Indah Kiat Pulp & Paper Tbk, in Riau Province; PT OKI Pulp & Paper Mills, in South Sumatra; and PT Lontar Papyrus Pulp and Paper Industry, in Jambi Province (see Map 1). The three mills produce bleached hardwood kraft pulp (BHKP) and have a combined pulp production capacity of 6.6 million air-dried tonnes (hereafter tons) per year. On an annual basis, APP’s effective demand for wood fiber is approximately 31.2 million cubic meters (m³) (see Table 1).

19 See Asia Pulp & Paper’s corporate website: <https://www.asiapulppaper.com/about-app> and <https://www.asiapulppaper.com/investors> (accessed on May 11, 2018).

20 Asia Pulp & Paper. 2015. *Sustainability Report 2014*.

21 Asia Pulp & Paper Co. Ltd. 2004. *APP Sustainability Action Plan*. February.

Table 1. Installed capacity and effective wood demand for APP's kraft pulp mills in Indonesia.

Company	Province	Installed Pulp Capacity (tons/yr)	Effective Wood Demand (m ³ /yr) ²²
PT Indah Kiat Pulp & Paper Tbk	Riau	2,830,000	13,301,000
PT OKI Pulp & Paper Mills	South Sumatra	2,800,000	13,160,000
PT Lontar Papyrus Pulp and Paper Industry	Jambi	1,028,000	4,831,600
Total		6,658,000	31,292,600

Sources: APP 2014 Sustainability Report for PT Indah Kiat capacity figure. Koalisi Anti Mafia Hutan et al. 2016. "Will Asia Pulp & Paper default on its 'zero deforestation' commitment." April 20. <http://auriga.or.id/wp-content/uploads/2016/10/Will-APP-default-on-its-zero-deforestation-commitment.pdf> for PT OKI Pulp & Paper Mills and PT Lontar Papyrus capacity figures.

In 2013 at the outset of the group's current Forest Conservation Policy (FCP), APP named 33 pulpwood companies managing 38 HTI plantation concessions as suppliers to its pulp mills in Indonesia (see Table 2).²³ APP's declared wood suppliers control 2.6 million ha of HTI plantation concession areas – equivalent to 36 times the land area of Singapore – in five provinces on the islands of Sumatra and Kalimantan.

Table 2. Declared suppliers of wood fiber to APP's pulp mills in Indonesia.

No.	Supplier Company	Province	Current License	Area (hectares)
"Owned" Suppliers				
1	PT Sumalindo Hutani Jaya (I)	East Kalimantan	407/Ktps-II/1996	10,000
	PT Sumalindo Hutani Jaya (II)	East Kalimantan	675/Ktps-II/1997	70,300
2	PT Wirakarya Sakti	Jambi	SK.346/Menhut-II/2004	293,812
3	PT Arara Abadi	Riau	743/Ktps-II/1996	299,975
4	PT Riau Abadi Lestari	Riau	524/Ktps-II/1997	12,000
5	PT Satria Perkasa Agung	Riau	244/Ktps-II/2000	34,725
	PT Satria Perkasa Agung (KTH Sinar Merawang)	Riau	19/Menhut-II/2008	9,300
	PT Satria Perkasa Agung (Unit Serapung)	Riau	102/Menhut-II/2006	11,830
6	PT Finnantara Intiga	West Kalimantan	750/Ktps-II/1996	299,700
			<i>Sub-total "Owned" Suppliers</i>	<i>1,041,642</i>
"Independent" Suppliers				
1	PT Acacia Andalan Utama (I)	East Kalimantan	87/Menhut-VI/2007	39,620
	PT Acacia Andalan Utama (II)	East Kalimantan	620/Menhut-II/2010	21,965
2	PT Kelawit Hutani Lestari	East Kalimantan	160/Ktps-II/1997	9,180
3	PT Kelawit Wana Lestari (I)	East Kalimantan	169/Menhut-II/2005	22,065
	PT Kelawit Wana Lestari (II)	East Kalimantan	301/Menhut-II/2011	27,690
4	PT Surya Hutani Jaya	East Kalimantan	317/Menhut-II/2004	183,300
5	PT Balai Kayang Mandiri	Riau	20/Menhut-II/2007	22,250
6	PT Bina Daya Bentala	Riau	555/Menhut-II/2006	19,870
7	PT Bina Duta Laksana	Riau	207/Menhut-II/2006	28,890
8	PT Bukit Batu Hutani Alam	Riau	365/Ktps-II/2003	33,605
9	PT Mitra Hutani Jaya	Riau	101/Menhut-II/2006	33,605
10	PT Mutiara Sabuk Khatulistiwa	Riau	109/Ktps-II/2000	44,595

22 This estimate is based on an assumed conversion factor of 4.7 m³ of wood fiber per ton of pulp.

23 Asia Pulp & Paper. 2013. "APP Wood Suppliers Location Maps." Data shared during Forum Group Discussion (FGD) in Jakarta, March 27, 2013. Since then, APP's FCP dashboard (a website dedicated to APP's sustainability initiatives) indicated that one supplier had been dropped (PT Riau Andalan Lestari) and another added (PT Riau Abadi Lestari).

No.	Supplier Company	Province	Current License	Area (hectares)
11	PT Perawang Sukses Perkasa Industri	Riau	249/Ktps-II/1996	50,725
12	PT Riau Indo Agropalma	Riau	61/Menhut-II/2006	9,570
13	PT Rimba Mandau Lestari	Riau	552/Menhut-II/2006	5,630
14	PT Ruas Utama Jaya	Riau	18/Menhut-II/2007	44,330
15	PT Sekato Pratama Makmur	Riau	366/Ktps-II/2003	44,735
16	PT Suntara Gajapati	Riau	71/Ktps-II/2001	34,792
17	PT Tebo Multi Agro	Jambi	401/Menhut-II/2006	19,770
18	PT Rimba Hutani Mas	Jambi	68/Menhut-II/2004	51,260
	PT Rimba Hutani Mas	South Sumatra	90/Menhut-II/2007	67,100
19	PT Bumi Andalas Permai	South Sumatra	339/Menhut-II/2004	193,700
20	PT Bumi Mekar Hijau	South Sumatra	417/Menhut-II/2004	250,370
21	PT Bumi Persada Permai (I)	South Sumatra	337/Menhut-II/2004	59,345
	PT Bumi Persada Permai (II)	South Sumatra	79/Menhut-II/2009	24,050
22	PT Sebangun Bumi Andalas Wood Industries	South Sumatra	347/Menhut-II/2004	142,355
23	PT Sumber Hijau Permai	South Sumatra	29/Menhut-II/2006	30,040
24	PT Tri Pupajaya	South Sumatra	583/Menhut-II/2009	21,995
25	PT Asia Tani Persada	West Kalimantan	353/Menhut-II/2010	20,740
26	PT Daya Tani Kalbar	West Kalimantan	60/Ktps-II/1997	56,060
27	PT Kalimantan Subur Permai	West Kalimantan	332/Menhut-II/2007	13,270
			<i>Sub-total "Independent" Suppliers</i>	<i>1,626,472</i>
			Total All Suppliers	2,668,114
Proposed New Suppliers				
1	PT Bangun Rimba Sejahtera	Bangka Belitung	336/Menhut-II/2013	66,460
2	PT Buana Megatama Jaya	West Kalimantan	715/Menhut-II/2009	43,800

Sources: Asia Pulp & Paper (APP). 2013. "APP Wood Suppliers Location Maps." Data shared during Forum Group Discussion (FGD) in Jakarta, March 27, 2013; Forest Conservation Policy Dashboard, Asia Pulp & Paper (accessed 2015-2017); Buku Basis Data Spasial Kehutanan 2016, Kementerian Lingkungan Hidup dan Kehutanan.²⁴

Both before and after the adoption of the FCP commitments, APP has referred to having "owned" and "independent" suppliers of wood fiber.²⁵ In sustainability reports, APP has identified the six plantation companies it claims to be "APP concessions" as: PT Arara Abadi, PT Wirakarya Sakti, PT Satria Perkasa Agung, PT Sumalindo Hutani Jaya, and PT Riau Andalan Lestari (since replaced with PT Riau Abadi Lestari).²⁶ These companies – APP's "owned" suppliers – control HTI plantation concessions with a gross area of around 1.0 million hectares.

In describing the group's "independent" suppliers, APP has stated: "APP independent partner concessions (Mitra) are independent companies that hold pulpwood plantation concession licenses in Indonesia. APP has no ownership share in these companies but the companies have long-term contractual agreements to supply APP mills with pulpwood."²⁷ Collectively, these 27 "independent" supplier companies control HTI concessions with a gross area of around 1.6 million hectares (see Table 2 and Map 1).

24 The Ministry of Environment and Forestry's 2016 *Spatial Forestry Data Book*, which contains a list of all active HTI plantation concessions, lists two HTI concessions not indicated in the 2013 APP document: PT Acacia Andalan Utama II and PT Kelawit Wana Lestari II. Two of APP's declared wood suppliers of the same respective names hold these concession licenses.

25 Asia Pulp & Paper. 2012. *Asia Pulp & Paper Group: Communication on Progress 2012*. https://www.unglobalcompact.org/system/attachments/19673/original/121227_APP_Group_COP.pdf?1356601400; Asia Pulp & Paper. 2016. *Sustainability Report 2015*. https://asiapulppaper.com/system/files/app_sustainability_report_2015_1_0.pdf.

26 Asia Pulp & Paper. 2014. *Sustainability Report 2013*. https://www.asiapulppaper.com/sites/default/files/download/app_sustainability_report_2013_final.pdf.

27 Asia Pulp & Paper. 2012. *Op cit*.

Map 1. Declared suppliers of wood fiber to APP’s pulp mills in Sumatra and Kalimantan.

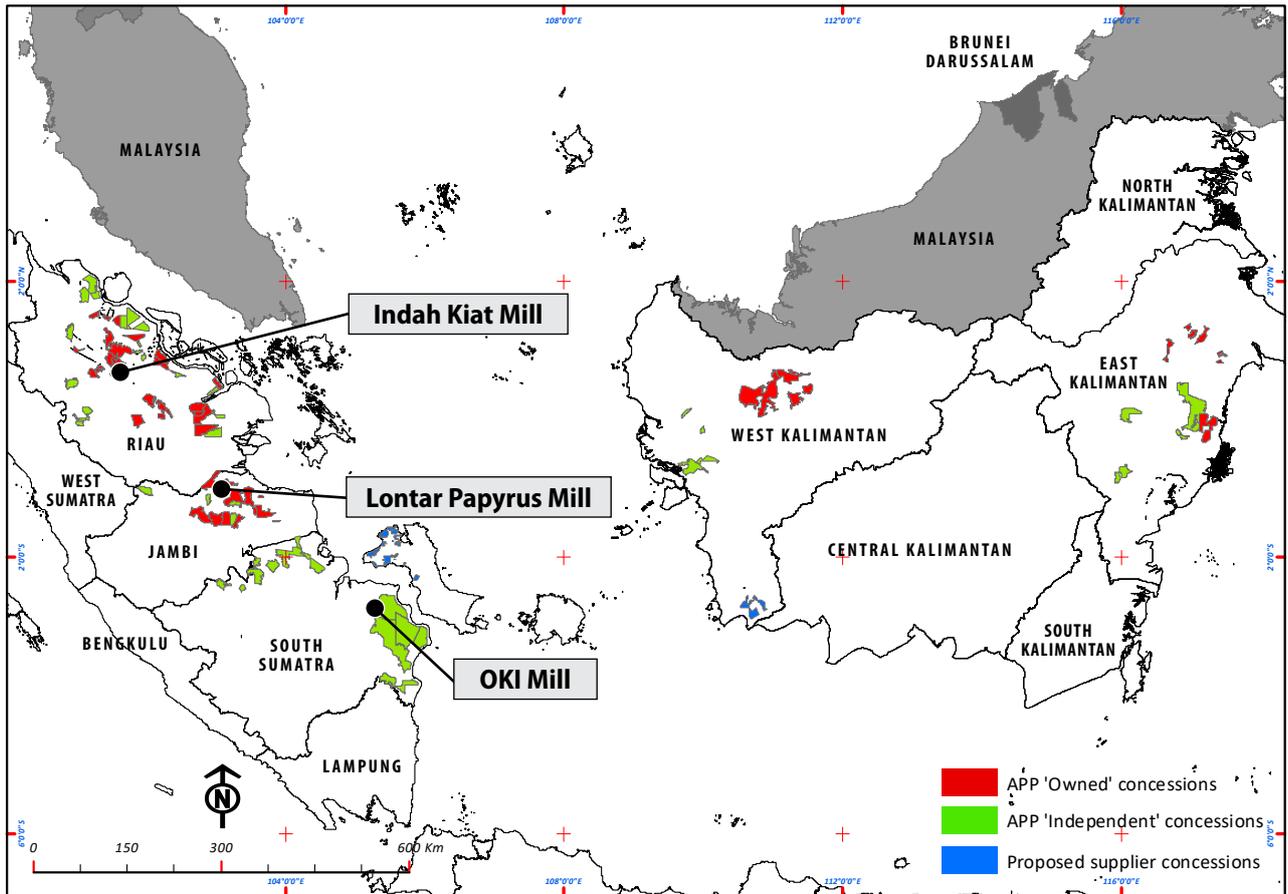
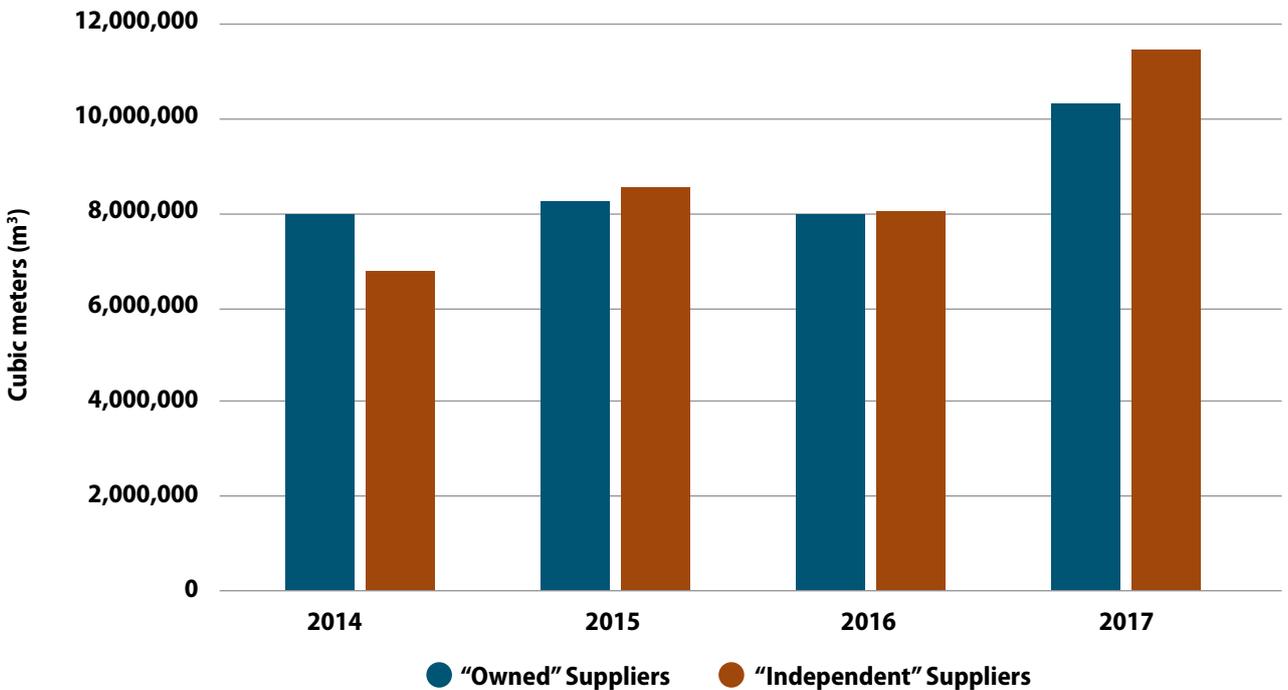


Figure 1. Volumes of wood fiber from “owned” and “independent” supplier concessions consumed by APP’s pulp mills in Indonesia, 2014-2017.



Source: RPBB reports (2014-2017), Ministry of Environment and Forestry.

Note: This chart does not include wood fiber from community suppliers, which in 2014 was 125,396 m³ and in 2015 was 64,006 m³ (see Appendix B).

The total volume of wood fiber consumed annually by APP's pulp mills in Sumatra grew from 14.8 million m³ in 2014 to nearly 22.0 million m³ in 2017, according to official Industrial Raw Material Supply Plans (*Rencana Pemenuhan Bahan Baku Industri*, RPBBI) filed with the Ministry of Environment and Forestry. During this period, "independent" suppliers have contributed approximately 50% of the group's overall wood fiber supply (see Figure 1).²⁸ Since the OKI mill in South Sumatra started production in late 2016, the proportion of APP's wood fiber supplied by "independent" HTI concessions has risen slightly. In 2017, as the OKI mill came on-stream, "independent" concessions contributed approximately one million cubic meters more than the "owned" concessions, while APP's overall wood fiber consumption jumped by 37.5% from the previous year.

As APP's reliance on wood fiber from "independent" suppliers has increased both as a percentage of overall supplies and in total volume, there are indications that APP has used the "independent" description to distance itself from responsibility for negative environmental impacts. As noted earlier, for example, in late 2015 APP claimed two suppliers, PT Bumi Mekar Hijau and PT Sebangun Bumi Andalas Wood Industries, were "independently owned and operated" when widespread fires inside their concessions contributed to the notorious 2015 haze blanketing Southeast Asia.²⁹ At that time, Singapore's National Environment Agency (NEA) had initiated an investigation of both companies under that country's Transboundary Haze Act, and consumers in Singapore had organized boycotts of APP's products.³⁰

Similarly, since August 2015, APP has engaged in a roadmap process with the Forest Stewardship Council (FSC) and CSO stakeholders to address APP's non-compliances with the FSC Policy for Association.³¹ In this process, APP initially sought to have a weaker application of standards for the group's "independent" suppliers than for "owned" suppliers.³²

V. Ownership and management of APP's "independent" wood suppliers

The present analysis of the 27 forest plantation companies (holding 31 HTI concession licenses) that APP has described as being "independent" has found that at least 24 companies (holding 29 HTI concession licenses) show apparent close links with the Sinar Mas Group. Two exceptions are PT Mutiara Sabuk Khatulistiwa and PT Suntara Gajapati, both of which appear to be owned by individuals and entities without direct links to APP and/or the Sinar Mas Group. Details of a third company, PT Tri Pupajaya, have yet to be confirmed.

For the 24 companies with apparent links to the Sinar Mas Group, a majority of their holding companies are or recently were registered in offices located at the same street address as the Sinar Mas Group's corporate headquarters (Plaza BII, Jl Thamrin No 51, Central Jakarta) or at Wisma Indah Kiat, which shares an address with PT Indah Kiat Pulp & Paper Tbk, an APP paper mill in Serpong, outside of Jakarta (Jl. Raya Serpong Km 8, Serpong Utara, Tangerang, Banten). In addition publicly available sources, including social network profiles and media reports, indicate that many of the companies' shareholders, commissioners, and directors appear to be current or past employees at entities affiliated with the Sinar Mas Group, such as Sinar Mas Forestry.

Collectively, the majority shareholdings of the 24 "independent" concession companies with apparent links to Sinar Mas flow through 21 holding companies to four individuals (see Figure 2). All but three of the 21

28 RPBBI reports (2014-2017), PT Lontar Papyrus Pulp & Paper Industry and PT Indah Kiat Pulp & Paper Tbk, Ministry of Environment and Forestry. RPBBI reports (2016-2017), PT OKI Pulp & Paper Mills, Ministry of Environment and Forestry.

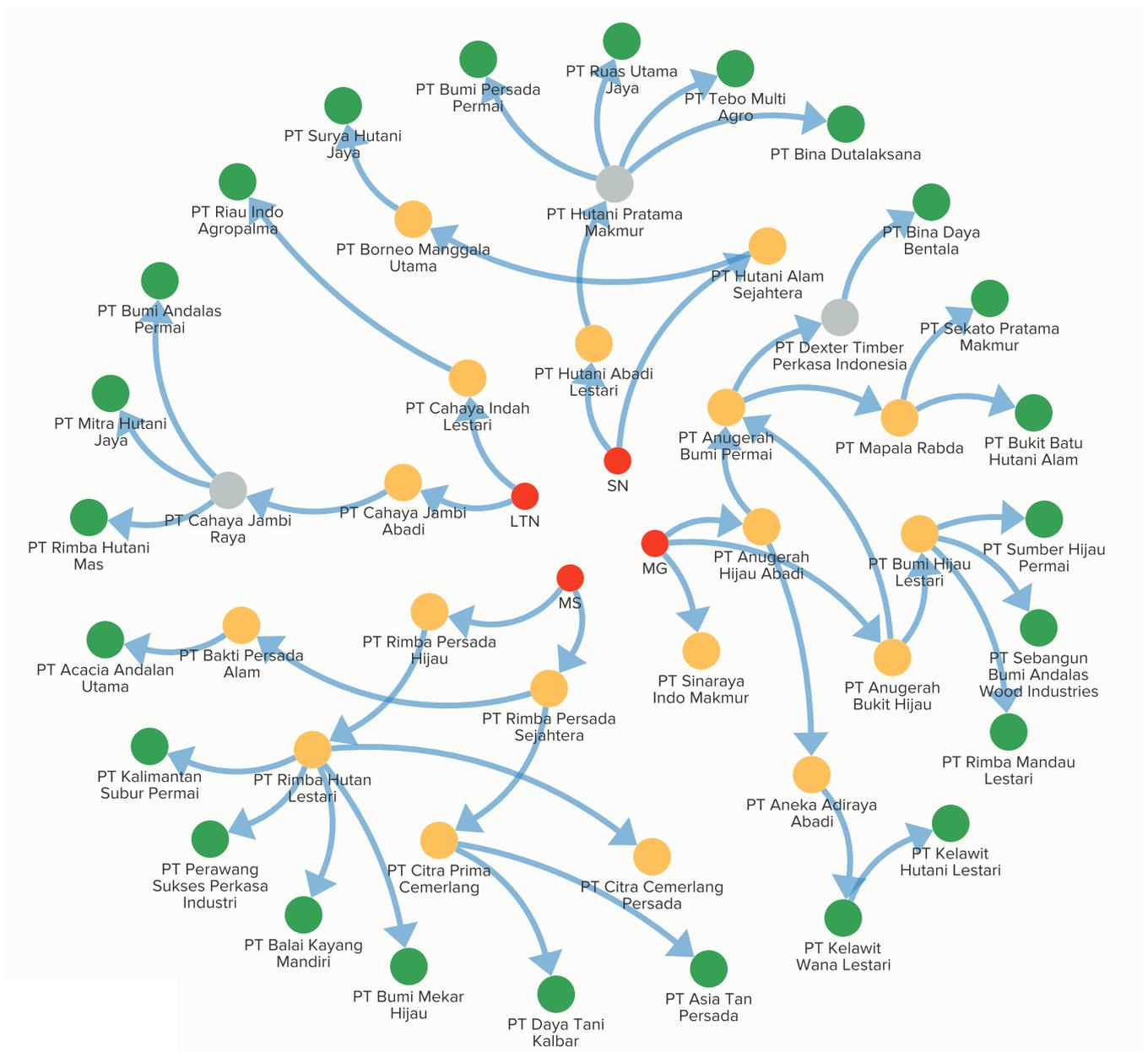
29 Lim, Joyce. 2015. *Op. cit.*

30 *Today*. 2015. "Asia Pulp & Paper hit by another company withdrawal." October 19. <https://www.todayonline.com/singapore/asia-pulp-paper-hit-another-company-withdrawal>.

31 Forest Stewardship Council. 2015. "Status update #4 on the disassociation of FSC from APP." 8 September. FSC's page on the roadmap process: <https://ic.fsc.org/en/what-is-fsc/what-we-do/dispute-resolution/current-cases/asia-pulp-and-paper-app>.

32 Forest Stewardship Council. 2016. Decision Record of BM73, November 29. http://mxwood.com/wp-content/uploads/2016/12/BM73_30_Final_Decision_Record_EN_for-circulation.pdf.

Figure 2. Majority shareholder map for 24 of APP’s “independent” supplier companies through holding companies to individual shareholders, as of April 16, 2018.



- HTI plantation company
- Company at Plaza BII or Wisma Indah Kiat
- Apparent current or former Sinar Mas employee
- Corporate shareholder
- Majority shareholder

Source: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

holding companies are or recently were registered at the 7th or 32nd floors in Tower II of the Sinar Mas Group’s headquarters (Plaza BII, Jl Thamrin No 51, Central Jakarta) or at Wisma Indah Kiat, which shares an address with APP’s paper mill in Serpong. All four of the individuals to whom the majority shareholdings flow appear to be current or former employees of entities affiliated with Sinar Mas, based on cross-referencing data from AHU corporate registry documents with information found in social network profiles and other publicly available sources.

Figure 3. Minority shareholder map for 24 of APP’s “independent” supplier companies through holding companies to individual shareholders, as of April 16, 2018.

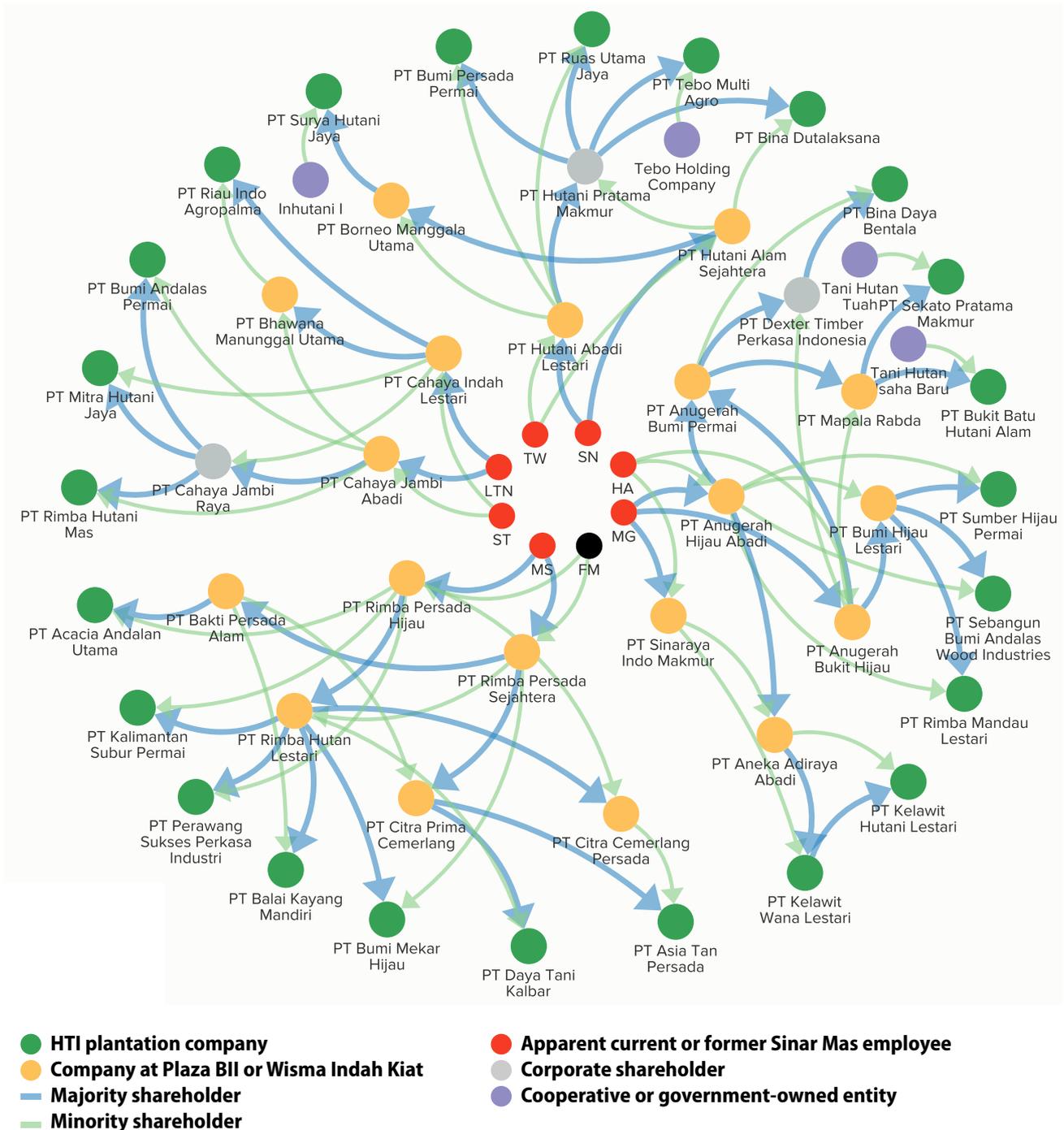


- HTI plantation company
- Company at Plaza BII or Wisma Indah Kiat
- Apparent current or former Sinar Mas employee
- Cooperative or government-owned entity
- Minority shareholder

Source: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

The minority shareholdings for 20 of the 24 “independent” supplier companies that appear to have links to the Sinar Mas Group collectively flow through 14 holding companies to four individuals (see Figure 3). Of these four individuals, three appear to be current or past employees of entities controlled by the Sinar Mas Group, based on cross-referencing data from AHU corporate registry documents with information found in social network profiles and other publicly available sources. All 14 holding companies are or recently were registered at the 7th or 32nd floors in Tower II of the Sinar Mas Group’s headquarters (Plaza BII, Jl Thamrin No 51, Central Jakarta) or at Wisma Indah Kiat (Jl. Raya Serpong Km 8, Serpong Utara). For four of the 24 “independent” supplier companies, minority shares are held, respectively, by a state-owned enterprise, a regional government company, and two cooperatives.

Figure 4. Consolidated shareholder map for 24 of APP’s “independent” supplier companies through holding companies to individual shareholders, as of April 16, 2018.

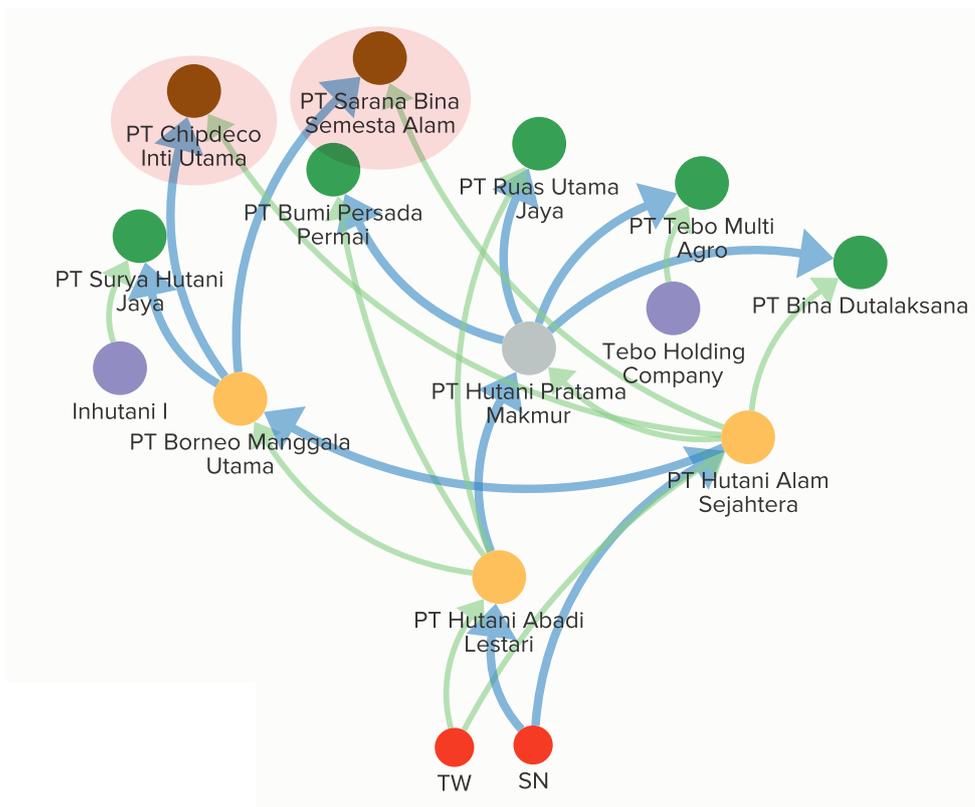


Source: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

Taken together, either the majority and minority shareholdings for 24 of the 27 firms that APP has declared to be “independent” supplier companies flow back to eight individuals, seven of whom appear to be current or past employees of entities controlled by the Sinar Mas Group (see Figure 4). Sources indicate these individuals have held positions including in the human resources department of PT Wirakarya Sakti and the finance and accounting department of PT Arara Abadi, both large HTI plantation companies that APP acknowledges it owns.

Figure 4 shows that the 24 (out of 27) “independent” suppliers can be divided into four “constellations”, each of which has two ultimate shareholders based on majority or minority share ownership. Of these eight individuals

Figure 5. Shareholder map for PT Sarana Bina Semesta Alam and PT Chipdeco Inti Utama, APP’s wood chip mills in Kalimantan, as of April 16, 2018.



- Woodchip mill
- HTI plantation company
- Apparent or current or former Sinar Mas employee
- Company at Plaza BII or Wisma Indah Kiat
- Corporate shareholder
- Cooperative or government-owned entity
- Majority shareholder
- Minority shareholder

Source: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

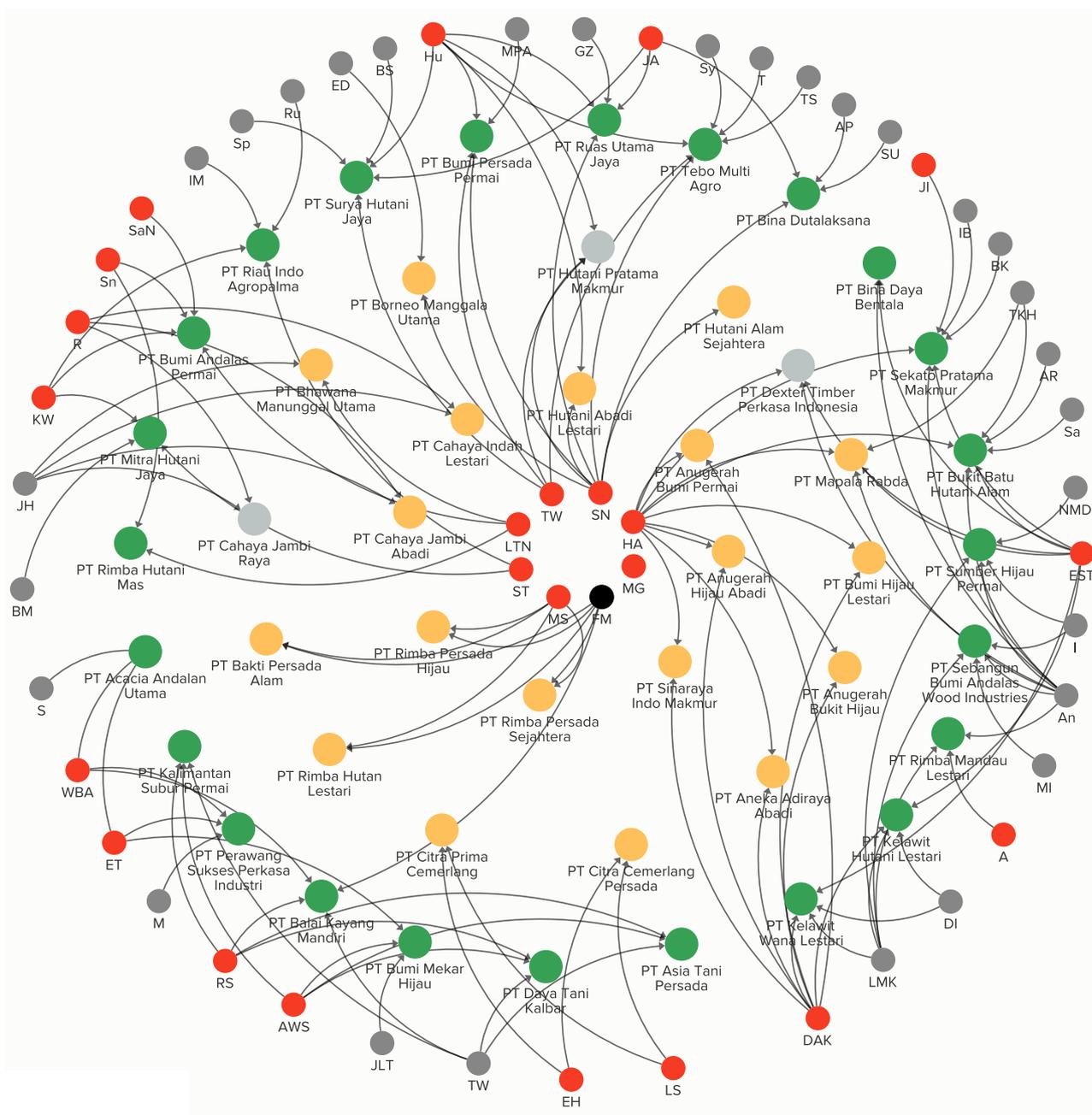
who are ultimate shareholders, all but one have apparent links of ownership or management to companies affiliated with the Sinar Mas Group.

Asia Pulp & Paper’s two chip mills in Kalimantan – PT Sarana Bina Semesta Alam in East Kalimantan and PT Chipdeco Inti Utama in North Kalimantan – are also within one of the “constellations” of “independent” suppliers (see Figure 5).³³ Specifically, the two individuals who are the ultimate shareholders of the chip mills are also the ultimate shareholders of five HTI plantation companies: PT Surya Hutani Jaya, PT Bumi Persada Permai, PT Ruas Utama Jaya, PT Tebo Multi Agro, and PT Bina DutaLaksana.

The majority and minority shareholders (a group comprised of eight individuals, seven of whom appear to be linked to the Sinar Mas Group) also hold many of the director and commissioner positions in the HTI concession and holding companies analyzed in this study (see Figure 6). Of the 45 other people who hold commissioner and director positions, publicly available sources indicate that another 16 appear to be either current or past employees of entities controlled by the Sinar Mas Group. Each of the four ownership “constellations” has at least

33 Though, to the best of the authors’ knowledge, Asia Pulp & Paper does not state that these two chip mills are part of the company, former APP consultant George Kuru (of Ata Marie Group Ltd, a forestry consultancy) lists ownership of these mills as Sinar Mas Forestry and notes “(legally outside of APP).” See Kuru, George. 2015. “Presentation at 16th Annual Asian RISI Conference.” June 2. https://events.risiinfo.com/asian-conference/sites/default/files/presentations/2015/George%20Kuru%20-%20English_0.pdf.

Figure 6. Commissioner and director map for 24 of APP's "independent" supplier companies and related holding companies, as of April 16, 2018.

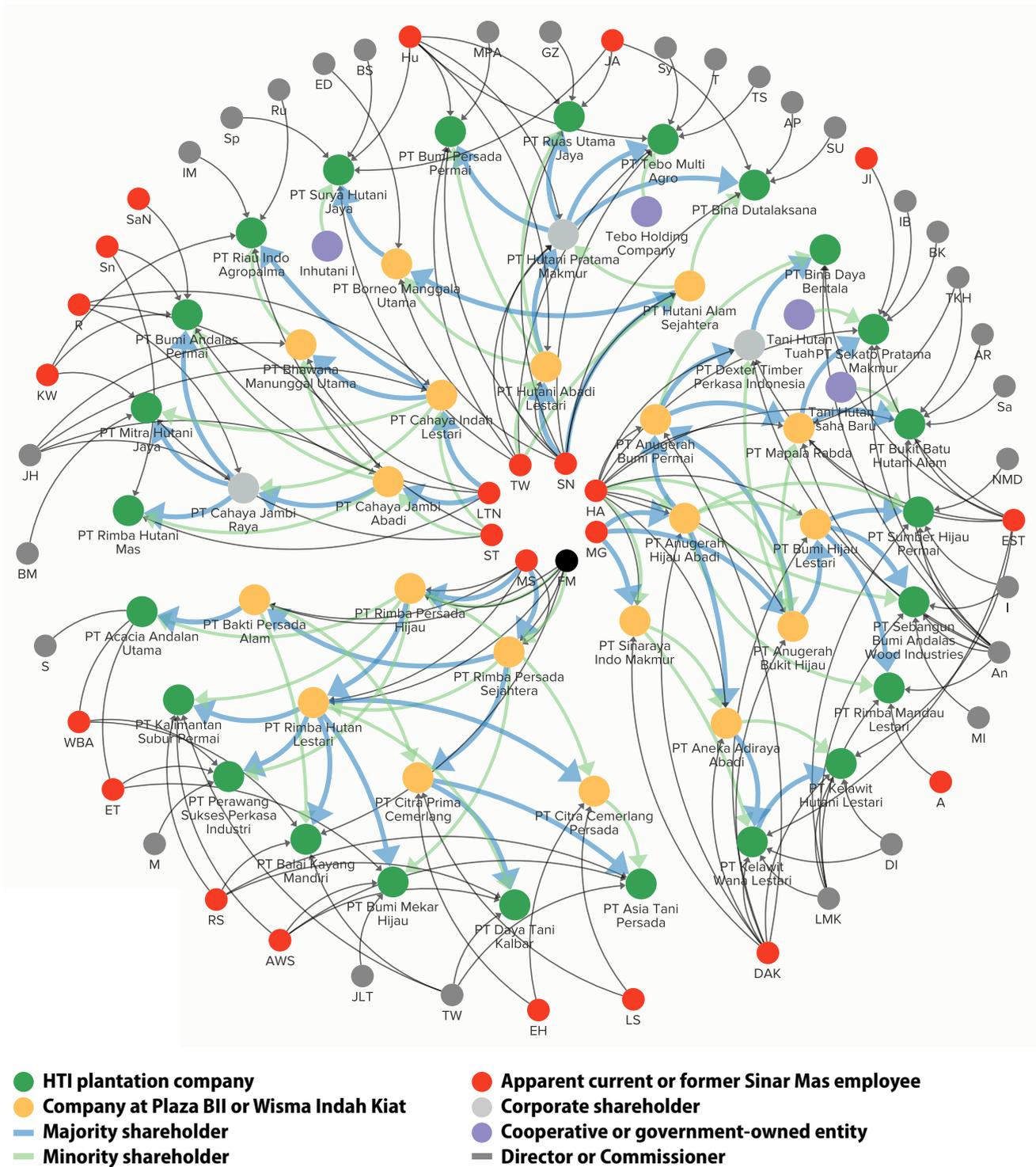


- HTI plantation company
- Company at Plaza BII or Wisma Indah Kiat
- Corporate shareholder
- Director or Commissioner
- Apparent current or former Sinar Mas employee

Source: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

one commissioner and/or director (in addition to the Sinar Mas-linked shareholders) who appears to be a current or former employee of an entity affiliated with the Sinar Mas Group. Sources indicate these individuals have held positions including as Sinar Mas Forestry's head of corporate tax, head of costing, and director of contract management services.

Figure 7. Consolidated shareholder, commissioner, and director map for 24 of APP’s “independent” supplier companies and holding companies, as of April 16, 2018.



Source: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

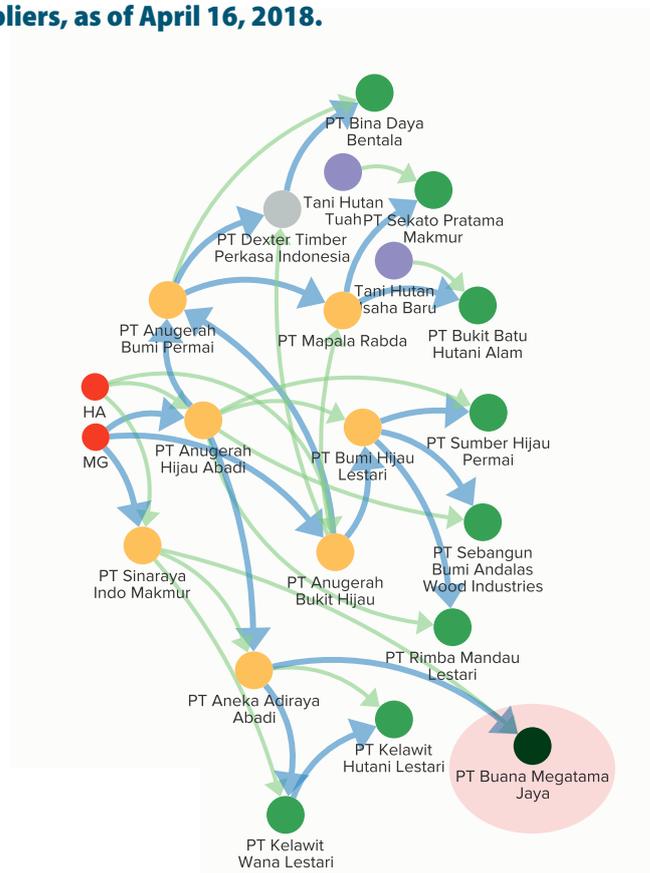
In sum, the ownership and management data for 24 of the 27 wood supplier companies described by APP as “independent” partners appear to have close links with the Sinar Mas Group and related entities (see Figure 7). The consolidation of HTI concession company ownership into shares apparently held by current and past employees of companies affiliated with the Sinar Mas Group raises the possibility that these are nominee structures that could be used for various purposes, including risk management and/or the avoidance or evasion of tax obligations.

VI. Ownership and management of APP's proposed wood suppliers

Since APP announced its Forest Conservation Policy in 2013, the group has proposed adding two additional suppliers: PT Buana Megatama Jaya (BMJ), which controls an HTI concession of 43,800 ha in West Kalimantan; and PT Bangun Rimba Sejahtera (BRS), which holds an HTI concession of 66,460 ha on Bangka island.³⁴ In July 2017, an APP spokesperson told the Associated Press, "Both are independent suppliers and have no affiliation to APP or Sinarmas."³⁵

A review of the corporate registry filings for PT Buana Megatama Jaya, however, indicates the company is connected to the same "constellation" of entities that includes eight current wood suppliers to APP's pulp mills (see Figure 8). The firm's majority shares pass through two holding companies: one registered at Wisma Indah Kiat (Jl. Raya Serpong Km 8, Serpong Utara), and the other, from 2003 until December 2016, registered at the same street address as the Sinar Mas Group's corporate headquarters (32nd floor in Tower 2, Plaza BII, Central Jakarta). The minority share passes through a company also registered at Wisma Indah Kiat. Both individuals who are the ultimate majority and minority shareholders appear to be current or past employees of entities affiliated with the Sinar Mas Group. PT Buana Megatama Jaya's management is comprised of four individuals, three of whom appear to be current or past Sinar Mas employees, as well.

Figure 8. PT Buana Megatama Jaya within the ownership structure of eight of APP's current long-term wood suppliers, as of April 16, 2018.



- Prospective wood supplier
- Apparent or current or former Sinar Mas employee
- Corporate shareholder
- Majority shareholder
- HTI plantation company
- Company at Plaza BII or Wisma Indah Kiat
- Cooperative or government-owned entity
- Minority shareholder

Source: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

34 As of April 2018, neither company had yet been accepted as a supplier to APP's mills.

35 Wright, Stephen. 2017b. *Op. cit.*

PT Bangun Rimba Sejahtera was incorporated in 2007, and the firm's corporate registry documents then named Margaretha Widjaya, granddaughter of Sinar Mas founder Eka Cipta Widjaja³⁶ and former Deputy CEO of Sinar Mas Forestry,³⁷ as the ultimate majority shareholder.³⁸ Until May 2013, PT Bangun Rimba Sejahtera had links to the same ownership "constellation" as PT Buana Megatama Jaya. At that time, however, changes in the ownership structures of BRS and its holding companies resulted in the removal of clear links to the Sinar Mas Group.³⁹

VII. Ownership of APP's "owned" wood suppliers and mills

APP has reported that it owns six of the group's wood fiber suppliers (holding nine HTI plantation concession licenses).⁴⁰ However, given that corporate documents also refer to APP as a "trade name" rather than an incorporated entity,⁴¹ APP's claim raises the question of which holding companies and/or individuals in fact own these suppliers? This analysis indicates that APP's six "owned" fiber suppliers, along with APP's pulp and paper mills in Indonesia, are ultimately owned, in part, by five family members of the Sinar Mas Group's founder, Eka Tjipta Widjaja (see Figure 9).

Separating the Widjaja family shareholders, on the one hand, and APP's "owned" suppliers and the group's pulp and paper mills, on the other, are layers of holding companies incorporated in Indonesia. PT Purinusa Ekapersada is a holding company in which much of APP and the Sinar Mas Group's pulp and paper holdings are consolidated. Together, five family members of Eka Tjipta Widjaja – including four of his sons, Teguh Ganda Wijaya, Indra Widjaja, Franky Oesman Widjaja, and Muktar Widjaja, as well as a granddaughter, Linda Wijaya Limantara – have a controlling interest in PT Purinusa Ekapersada (see Box 2).⁴² The holding company's other direct and indirect shareholders include 13 companies incorporated in the British Virgin Islands and seven companies incorporated in Mauritius, Japan, and the Netherlands. The ultimate beneficial owners of these offshore companies are, as yet, unknown to the authors of the present study.

As seen in Figure 10, PT Purinusa Ekapersada plays a central role in the APP corporate structure. It is also the brand holder of APP⁴³ and the legal entity with which the Forest Stewardship Council has indicated it would sign a potential agreement to end the FSC's disassociation from APP. The FSC's Policy for Association defines the scope of direct responsibility for associated organizations (like PT Purinusa Ekapersada) to include entities in which the associated organization has a minimum ownership of 51%.⁴⁴ As indicated in Figure 11, however, if this definition were applied to PT Purinusa Ekapersada, it would not include PT Arara Abadi, APP's largest concession with 299,975 ha in Riau, Sumatra and the single largest wood supplier to APP's flagship mill, PT Indah Kiat Pulp & Paper Tbk, over the past three decades.⁴⁵ Nor would it apparently include PT Wirakarya Sakti, APP's third largest

36 Wright, Stephen. 2017b. *Op. cit.*

37 Bloomberg. 2018. "Margaretha Natalia Widjaja, Executive Director of Sinar Mas Land Limited". Executive Profile (accessed May 11, 2018). <https://www.bloomberg.com/research/stocks/people/person.asp?personId=117213037&privcapId=4493033>.

38 Margaretha Widjaya was the majority shareholder of PT Bangun Rimba Sejahtera through two holding companies, PT Surya Wahana Sakti and PT Sinaraya Indo Makmur. Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.

39 Corporate registry documents for PT Bangun Rimba Sejahtera, Ditjen AHU, Ministry of Law and Human Rights.

40 Asia Pulp & Paper. 2014. *Sustainability Report 2013*.

41 APP's 2014 sustainability report states, "Asia Pulp & Paper Group (APP) is a trade name for a group of pulp and paper manufacturing companies in Indonesia and China." APP 2015. *Op. cit.*, p. 23.

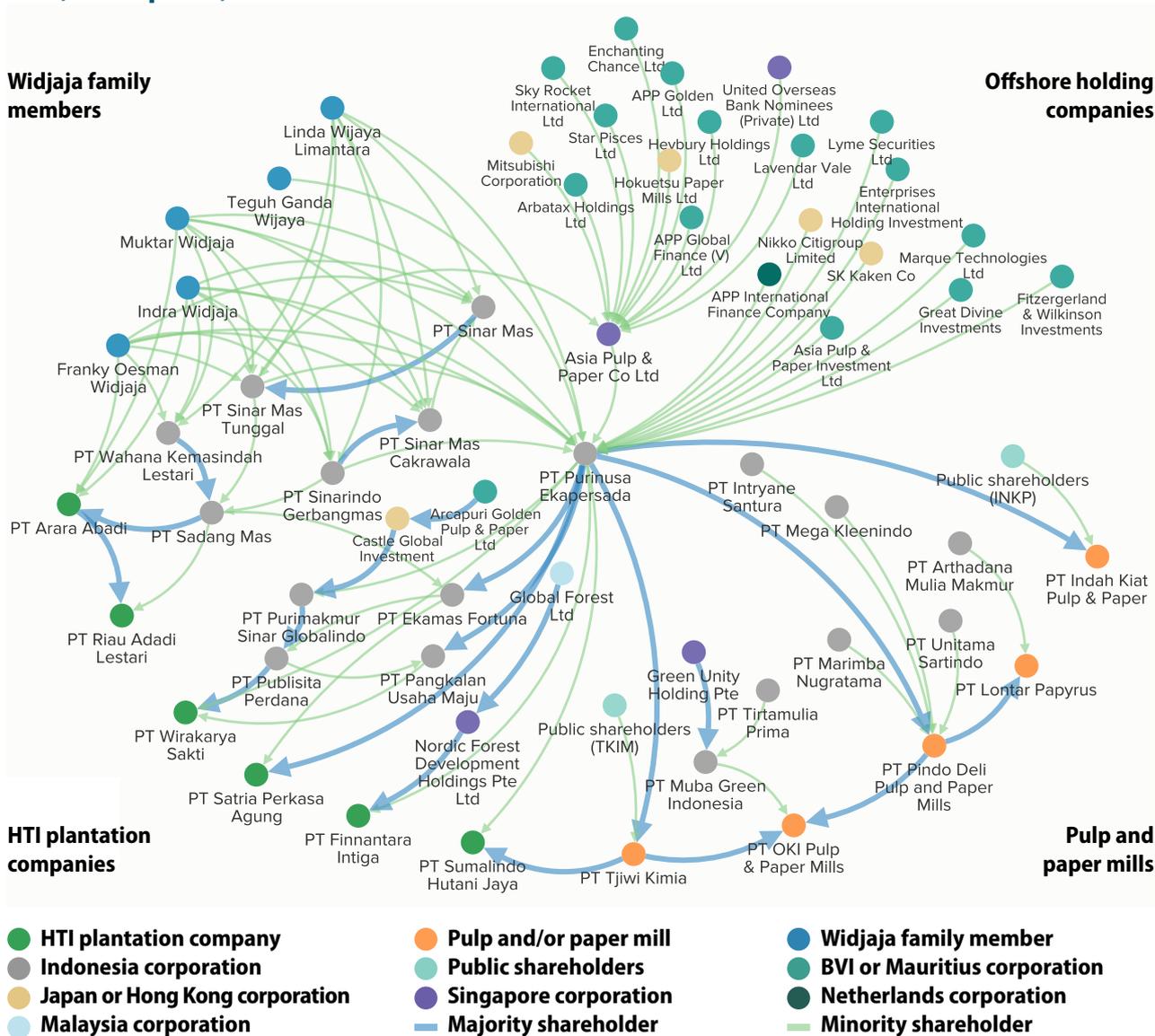
42 Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights (Indonesia); and Business Profiles, Accounting and Corporate Regulatory Authority (Singapore).

43 Asia Pulp & Paper. 2014. *Op. cit.*

44 Forest Stewardship Council. 2011. *Policy for the Association of Organizations with FSC (FSC-POL-01-004 V2-0 EN)*. <https://ic.fsc.org/en/fsc-system/current-processes/fsc-pol-01-004>.

45 RPBB reports, Ministry of Forestry and Environment; and PT Indah Kiat Pulp & Paper Tbk annual reports (various years).

Figure 9. Shareholder relationships of APP’s “owned” concessions and Indonesia pulp and paper mills, as of April 16, 2018.



Sources: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights (Indonesia); and Business Profiles, Accounting and Corporate Regulatory Authority (Singapore).

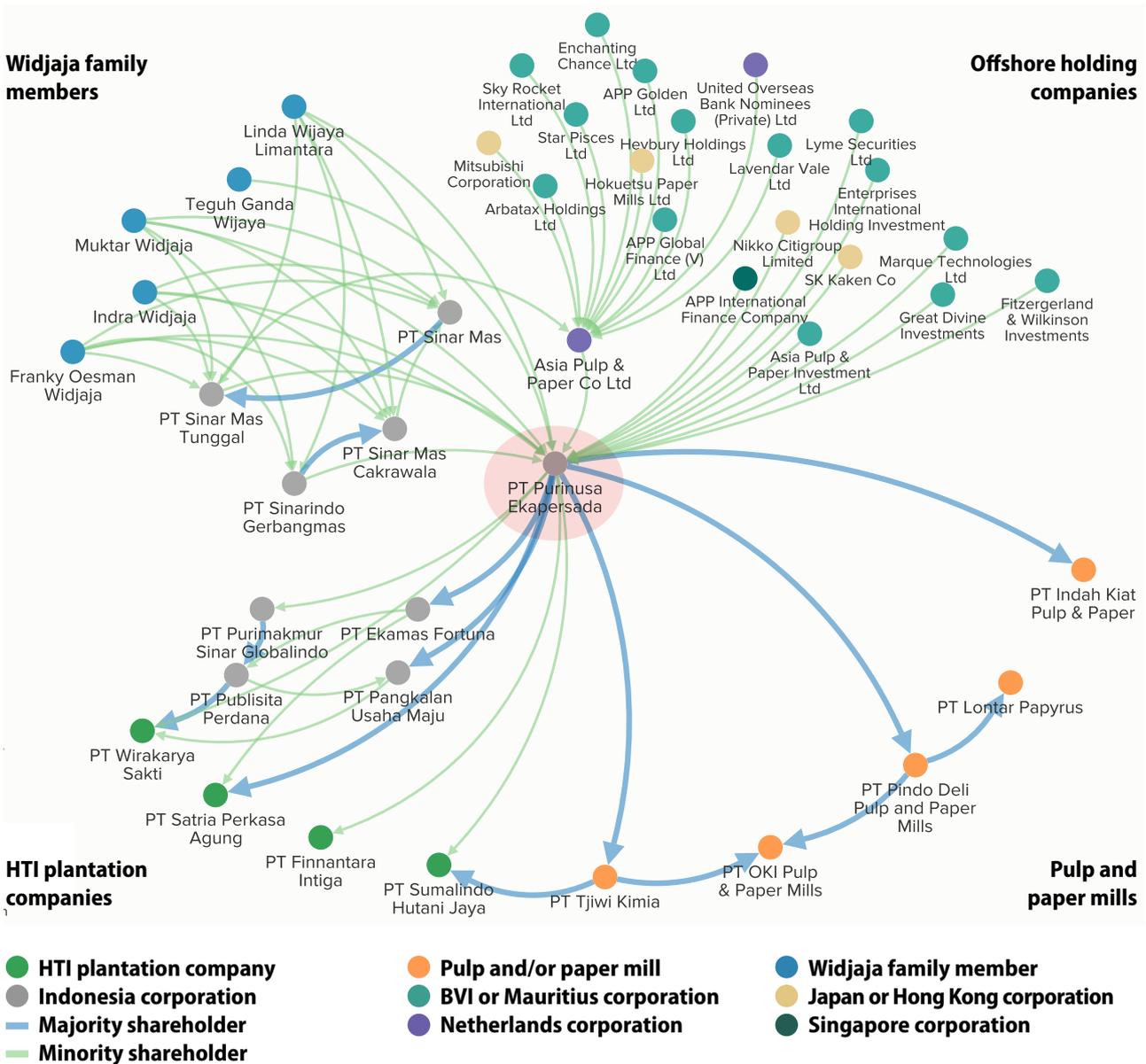
concession, since its majority shareholder, through three holding companies, is ArcaPuri Golden Pulp & Paper Ltd incorporated in the British Virgin Islands (see Figure 9).⁴⁶

Four of the Widjaja family members (including Linda Wijaya Limantara, until recently the Group Managing Director of Asia Pulp & Paper) own PT Arara Abadi through six holding companies: PT Sinarindo Gerbangmas; PT Wahana Kemasindah Lestari; PT Sinar Mas; PT Sadang Mas; PT Sinar Mas Cakrawala; and PT Sinar Mas Tunggal. The possibility that PT Arara Abadi could fall outside the FSC’s definition of APP’s corporate structure raises fundamental questions about the degree to which one of the group’s largest wood suppliers would be subject to whatever standards for operational accountability are covered under any current or future agreement(s) between the FSC and APP.

Within the complex corporate structure of the Sinar Mas Group, it is notable that the group’s holding companies also control sizeable areas of licensed HTI plantation concessions that have not been declared as suppliers to

⁴⁶ Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights (Indonesia); Companies Registry (Hong Kong). 2017. “Annual Return Castle Global Investment Limited.” January 7.

Figure 10. Shareholder map of PT Purinusa Ekapersada, as of April 16, 2018.



Sources: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights (Indonesia); and Business Profiles, Accounting and Corporate Regulatory Authority (Singapore).

APP’s mills. For example, the majority ownership of PT Hutan Rindang Banua, which has an HTI concession license for 265,095 ha in South Kalimantan, flows into some of the same holding companies as APP’s “owned” HTI plantation companies and pulp and paper mills (see Figure 12).

PT Sinar Mas Tunggal, a shareholder in PT Arara Abadi, is the controlling shareholder of Golden Energy and Resources Ltd (GEAR), a Singapore-incorporated company directed by Fuganto Widjaja, a grandson of the Sinar Mas Group’s founder, Eka Tjipta Widjaja (see Box 2).⁴⁷ GEAR owns two companies, one incorporated in Mauritius and the other in the British Virgin Islands, which are the majority and minority shareholders, respectively, of PT Hutan Rindang Banua.⁴⁸ GEAR has reported that it supplies coal to PT Indah Kiat Pulp & Paper Tbk and PT Lontar

47 Golden Energy and Resources Ltd. 2018. *Annual Report 2017*. <http://investor.gear.com.sg>.

48 Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights; Golden Energy and Resources Ltd. 2018. *Annual Report 2017*. <http://investor.gear.com.sg>.

Box 2: Eka Tjipta Widjaja and the Widjaja family

Eka Tjipta Widjaja is the founder of the Sinar Mas Group. Born in Fujian Province, China in 1923, he emigrated to Indonesia at age 7 and began his entrepreneurial journey selling biscuits and copra in Makassar at age 15. The Sinar Mas Group entered the pulp and paper sector in 1972, and Sinar Mas Forestry established its first HTI forest plantations in 1986. Today, the Sinar Mas Group has extensive holdings in pulp and paper; agribusiness and food; banking and financial services, real estate and development; energy and mining; and telecommunications. In 2017, Forbes listed Eka Tjipta Widjaja as the second richest person in Indonesia, with a family net worth of US\$ 9.1 billion.

Teguh Ganda Wijaya, the eldest son of Eka Tjipta Widjaja, serves as Chairman of the Asia Pulp & Paper Group through which he coordinates the Sinar Mas Group's holdings in the pulp and paper sector. In recent years, he has also served as President Commissioner of PT Indah Kiat Pulp & Paper Tbk; PT Pabrik Kertas Tjiwi Kimia Tbk; PT Pindo Deli Pulp and Paper Mills; and PT Lontar Papyrus Pulp & Paper Industry.

Indra Widjaja, a son of Eka Tjipta Widjaja, is the Chairman and President Commissioner of PT Asuransi Jiwa Sinar Mas and PT Sinar Mas Multiartha Tbk. In this capacity, he oversees the Sinar Mas Group's investments in banking and financial services. He also serves as the Vice Chairman and Vice President Commissioner of PT Dian Swastatika Sentosa Tbk, under which the Sinar Mas Group's energy and infrastructure holdings are consolidated.

Franky Oesman Widjaja, a son of Eka Tjipta Widjaja, serves as the Chairman and Chief Executive Officer of Golden Agri-Resources Ltd (GAR), and oversees the Sinar Mas Group's Agri-Business and Consumer Food Products Division. In recent years, he has been the Vice President of GAR's Indonesian subsidiary, PT Sinar Mas Agro Resources & Technology Tbk. He also serves as the Executive Chairman of Sinar Mas Land Ltd, which invests in, develops, and manages real estate.

Mukhtar Widjaja, a son of Eka Tjipta Widjaja, serves as the President of Golden Agri-Resources Ltd (GAR) and as Vice President Commissioner of PT Sinar Mas Agro Resources & Technology Tbk (PT SMART). He also serves as CEO/Executive Director of Sinar Mas Land Ltd.

Linda Suryasari Wijaya Limantara, a granddaughter of Eka Tjipta Widjaja, until recently served as Managing Director of the Asia Pulp & Paper Group and as President Commissioner of PT Indah Kiat Pulp & Paper Tbk. In recent years, she has served as the Chairlady and Non-Executive Director of Nippecraft Limited; Vice President Director at PT Lontar Papyrus Pulp & Paper Industry; Vice-President Director of PT Pindo Deli Pulp and Paper Mills; and Director of PT Pabrik Kertas Tjiwi Kimia Tbk.

Margaretha Natalia Widjaja, a granddaughter of Eka Tjipta Widjaja, is an Executive Director of Sinarmas Land Ltd, and previously served as the Deputy CEO of the Forestry Division of the Sinar Mas Group.

Fuganto Widjaja, a grandson of Eka Tjipta Widjaja, is the Executive Director and Group Chief Executive Officer of Golden Energy and Resources Limited (GEAR). He has also served as the President Director of PT Berau Coal Energy Tbk; President Commissioner at PT Dian Swastatika Sentosa Tbk; Director of Asia Resource Minerals Limited; and Commissioner of PT Sinar Mas Multiartha Tbk.

Sources: Bloomberg executive profiles (accessed online May 16, 2018); Asia Pulp & Paper website: <https://www.asiapulppaper.com/about-app/legacy-of-app>; Forbes.com: <https://www.forbes.com/profile/eka-tjipta-widjaja/> (accessed online May 22, 2018)

Papyrus Pulp & Paper Industry from its coal concessions, and that GEAR's coal concessions in South Kalimantan, under subsidiary PT Borneo Indobara, "substantially overlap" with its forestry concessions under PT Hutan Rindang Banua.⁴⁹ However, PT Hutan Rindang Banua's forestry concession is apparently not covered under APP's Forest Conservation Policy and, through at least May 2018, has not been included in the FSC's roadmap process with APP.

VIII. Summary of findings

This analysis finds that at least 24 of the 27 wood fiber supplier companies that APP has referred to as "independent" partners have apparent close links to the Sinar Mas Group. For these 24 companies, a significant majority of their holding companies are or recently were registered in offices located at the same street address as the Sinar Mas Group's corporate headquarters (Plaza BII, Jl Thamrin No 51, Central Jakarta) or at Wisma Indah Kiat, which has the same street address as APP's Indah Kiat paper mill in Serpong (Jl. Raya Serpong Km 8, Serpong Utara, Tangerang, Banten).

In addition, either the majority and/or minority shareholdings for these 24 companies flow back to eight individuals, seven of whom appear to be current or past employees of entities controlled by the Sinar Mas Group. Sources indicate these individuals have held positions including in the human resources department of PT Wirakarya Sakti and the finance and accounting department of PT Arara Abadi, two of the largest HTI concession companies that APP acknowledges owning. The commissioners and directors of these Sinar Mas-linked suppliers and related holding companies also include 16 other individuals who appear to be current or past employees of companies affiliated with the Sinar Mas Group.

The consolidation of HTI concession company ownership into shares held by individuals who appear to be current or past employees of entities controlled by Sinar Mas raises the possibility that these are nominee structures that could be used for various purposes, including the avoidance or evasion of tax obligations and/or the management of legal and reputational risks.

Similar links to the Sinar Mas Group are also apparent in two HTI concession companies APP has proposed to add as long-term wood suppliers: PT Buana Megatama Jaya in West Kalimantan and PT Bangun Rimba Sejahtera on Bangka island. An APP official has also claimed these companies to be "independent suppliers [which] have no affiliation to APP or Sinarmas."

Five Widjaja family members and over 20 offshore companies are the beneficial owners of APP's "owned" suppliers and APP's pulp and paper mills in Indonesia, according to government corporate registry documents. The offshore companies are incorporated in Singapore, Hong Kong, the British Virgin Islands, Mauritius, Japan, Malaysia, and the Netherlands.

Significantly, PT Purinusa Ekapersada – the brand holder of APP – does not have shares in PT Arara Abadi, which controls APP's oldest and largest HTI concession in Indonesia. In addition, the majority ownership of PT Hutan Rindang Banua, which has an HTI concession license for 265,095 ha in South Kalimantan, flows into some of the same holding companies as APP's "owned" HTI plantation companies and pulp and paper mills. But PT Hutan Rindang Banua's HTI plantation concession apparently is not covered under APP's Forest Conservation Policy or, at least through May 2018, under the FSC roadmap process with APP.

⁴⁹ Golden Energy and Resources Ltd. 2018. *Op. cit.*; Golden Energy and Resources Ltd. 2017. "FY2016 Results Briefing." March. <http://infopub.sgx.com/FileOpen/GEAR%20-%20News%20Release%20-%20Result%20Briefing%202017.ashx?App=Announcement&FileID=441888>

Appendix A: Indonesia corporate registry documents reviewed

Declared "independent" suppliers

PT Acacia Andalan Utama
PT Asia Tani Persada
PT Balai Kayang Mandiri
PT Bina Daya Bentala
PT Bina Dotalaksana
PT Bukit Batu Hutani Alam
PT Bumi Andalas Permai
PT Bumi Mekar Hijau
PT Bumi Persada Permai
PT Daya Tani Kalbar
PT Kalimantan Subur Permai
PT Kelawit Hutani Lestari
PT Kelawit Wana Lestari
PT Mitra Hutani Jaya
PT Mutiara Sabuk Khatulistiwa
PT Perawang Sukses Perkasa Industri
PT Riau Indo Agropalma
PT Rimba Hutani Mas
PT Rimba Mandau Lestari
PT Ruas Utama Jaya
PT Sebangun Bumi Andalas Wood Industries
PT Sekato Pratama Makmur
PT Sumber Hijau Permai
PT Suntara Gajapati
PT Surya Hutani Jaya
PT Tebo Multi Agro
PT Tri Pupajaya

Declared "owned" suppliers

PT Arara Abadi
PT Finnantara Intiga
PT Riau Adadi Lestari
PT Satria Perkasa Agung
PT Sumalindo Hutani Jaya
PT Wirakarya Sakti

Prospective suppliers

PT Bangun Rimba Sejahtera
PT Buana Megatama Jaya

Wood chip mills

PT Chipdeco Inti Utama
PT Sarana Bina Semesta Alam

Other HTI plantation company

PT Hutan Rindang Banua

Pulp and paper mills

PT Indah Kiat Pulp & Paper Tbk
PT Lontar Papyrus Pulp & Paper Industry
PT OKI Pulp & Paper Mills
PT Pabrik Kertas Tjiwi Kimia Tbk
PT Pindo Deli Pulp and Paper Mills

Holding companies in Indonesia

PT Aneka Adiraya Abadi
PT Anugerah Bukit Hijau
PT Anugerah Bumi Permai
PT Anugerah Hijau Abadi
PT Bakti Persada Alam
PT Bhawana Manunggal Utama
PT Borneo Manggala Utama
PT Bumi Hijau Lestari
PT Cahaya Indah Lestari
PT Cahaya Jambi Abadi
PT Cahaya Jambi Raya
PT Citra Cemerlang Persada
PT Citra Prima Cemerlang
PT Dexter Timber Perkasa Indonesia
PT Ekamas Fortuna
PT Hutani Abadi Lestari
PT Hutani Alam Sejahtera
PT Hutani Pratama Makmur
PT Mapala Rabda
PT Muba Green Indonesia
PT Pangkalan Usaha Maju
PT Publisita Perdana
PT Purimakmur Sinar Globalindo
PT Purinusa Ekapersada
PT Rimba Hutan Lestari
PT Rimba Persada Hijau
PT Rimba Persada Sejahtera
PT Sadang Mas
PT Sinar Mas
PT Sinar Mas Cakrawala
PT Sinar Mas Tunggal
PT Sinaraya Indo Makmur
PT Sinarindo Gerbangmas
PT Tirtamulia Prima
PT Wahana Kemasindah Lestari

Appendix B: Wood fiber sourcing from community suppliers

In January 2018, APP announced on its FCP website that “as of May 2017” it was accepting wood fiber from four “community” suppliers approved through its supplier review process. In fact, a wood supply analysis of APP’s Sumatra pulp mills between 2014 and 2017 indicates that the Lontar Papyrus mill in Jambi has been receiving wood from community suppliers since at least 2014, the first year of APP’s FCP commitments. According to RPBBI reports filed with the Ministry of Environment and Forestry, PT Lontar Papyrus Pulp & Paper Industry reported that in 2014, it received over 125,000 m³ of wood from 21 community suppliers; and in 2015, it received 64,000 m³ of wood from 10 community suppliers (see Tables B-1 and B-2).

Table B-1. Reported community suppliers of wood fiber to PT Lontar Papyrus Pulp & Paper Industry, 2014.

No.	Name of Community Supplier	Planned (m ³)	Realized (m ³)
1	Dahlan Sinaga (Ds Rantau Karya) - Jambi	1,300.00	20.22
2	Dahlan Sinaga (Sei Toman) - Jambi	750.00	682.13
3	Ir Fahrudin - Jambi	347.00	114.29
4	KT Betung - Jambi	10,700.00	8,367.95
5	KT Karya Bersama - Jambi	16,488.00	5,950.44
6	KT Kelagian Jaya - Jambi	5,878.00	510.97
7	KT Mayang Mangurai - Jambi	39,300.00	37,869.27
8	KT Putra Hutan Mas - Jambi	15,180.00	7,880.47
9	KT Rantau Karya indah - Jambi	3,337.89	2,259.52
10	KT Sabar Menanti - Jambi	15,291.00	1,168.93
11	KT Sepakat - Jambi	11,900.00	3,241.82
12	KT Simpang Batu - Jambi	5,000.00	4,087.43
13	KT Tunas Jaya - Jambi	20,500.00	5,434.07
14	Lakoni Solihin - Sumatera Selatan	8,367.44	4,599.11
15	M Royyen (PT Sumber Hijau Permai) - Sumatera Selatan	97,456.73	36,650.60
16	M Syahroni (Eks KT Tunas Rengas) - Jambi	5,500.00	2,716.15
17	Mahfud Effendi - Jambi	227.29	58.95
18	Menzis Bustami (Ds Teluk Ketapang) - Jambi	2,500.00	1,928.80
19	Menzis Bustami (Kelagian) - Jambi	1,000.00	926.16
20	Paidillah (Tebing Tinggi) - Jambi	300.00	170.38
21	Suwarni (Serasah) - Jambi	2,500.00	758.87
	Total	263,823.35	125,396.53

Source: RPBBI report (2014) for PT Lontar Papyrus Pulp & Paper Industry, Ministry of Environment and Forestry.

Table B-2. Reported community suppliers of wood fiber to PT Lontar Papyrus Pulp & Paper Industry, 2015.

No.	Name of Community Supplier	Planned (m ³)	Realized (m ³)
1	KT Jabung Jaya Bersama (Teluk Beting) - Jambi	3,000.00	593.14
2	KT Tunas Jaya (TPK Ant PT WKS Ds Tenam) - Jambi	15,149.00	9,413.38
3	KT Jabung Jaya Bersama (Sepakat) - Jambi	8,726.00	6,784.51
4	KT Jabung Jaya Bersama (Suwarni Tb. Tinggi) - Jambi	600.00	0.00
5	KT Jabung Jaya Bersama (Suyono) - Jambi	1,800.00	1,132.67
6	KT Lubuk Jambi (Karya Bersama) - Jambi	10,654.00	138.17
7	KT Lubuk Jambi (Suwarni Serasah) - Jambi	1,750.00	315.90
8	KT Musi Maju Jaya (Kepayang/M. Royyen) - Sumatera Selatan	26,000.00	14,187.92
9	KT Wana Jaya - Jambi	31,560.00	31,345.40
10	Menzis Bustami (Ds Teluk Ketapang) - Jambi	576.00	95.31
	Total	99,815.00	64,006.40

Source: RPBBI report (2015) for PT Lontar Papyrus Pulp & Paper Industry, Ministry of Environment and Forestry.