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Sustainability issues of a wood pulp giant:

the Indonesian Royal Golden Eagle Group



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Sea of eucalyptus in Lençóis Paulista, state of São Paulo, Brazil.

Photo by Pedro Henrique Santos on Unsplash, July 2018.

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Executive summary

The Royal Golden Eagle group (RGE) of companies is among the largest producers of wood pulp in Indonesia, China, and Brazil.

RGE is also a large producer of paper in China and Indonesia, and in China it is also a major producer of viscose fibres for the textile industry. RGE's largest business groups in the pulp, paper and viscose fibre sectors are: Asia Symbol and Sateri (both located in China), APRIL (located in Indonesia) and Bracell (located in Brazil). Next to the pulp and paper sector, RGE has operations in the palm oil and energy sectors.

RGE has a policy regarding its sustainable sourcing, which applies to RGE companies and all third-party fibre, wood and pulp suppliers to RGE companies. The policy contains most of the usual elements of No Deforestation, No Peat, No Exploitation (NDPE) policies.

Asia Symbol less transparent and accountable on sustainable sourcing

Regarding its sustainable sourcing, RGE's Chinese business group Asia Symbol scores less positively than some of RGE's other large business groups in the pulp and paper sector. APRIL and Sateri all reveal their

suppliers, while Asia Symbol doesn't. APRIL and Sateri have their operations largely covered by Programme for the Endorsement of Forest Conservation (PEFC) for forest management. Less than half of Asia Symbol's operations have this kind of certification. PEFC is generally considered weaker on sustainability by NGOs than FSC.

Bracell's pesticide use and eucalyptus sourcing constitutes sustainability risks

In Brazil, Bracell's cultivation and sourcing of eucalyptus trees remains linked to several sustainability problems. Pesticides are used extensively by Bracell, and the use is accompanied by large environmental and health risks. In its sustainability reports, Bracell does not reveal the types and amounts of pesticides it uses. Bracell's factory expansion potentially quadruples its production of dissolving pulp, thereby also requiring an eucalyptus harvest that is four times larger. Overall, the company does not elaborate on its future sourcing of eucalyptus, such as needed purchases on the open market.

Deforestation, disputes, and drainage in Indonesia

In Indonesia, APRIL and other RGE companies in the pulp and paper sector are linked to several environmental and social issues:

- Several cases of deforestation illustrate RGE's laxity regarding preserving High Carbon Stock (HCS) and/or High Conservation Value (HCV) areas, despite its NDPE policy. KPMG, the third party that assesses the compliance of APRIL's NDPE policy, confirms that currently very little HCS information is available for supplier concessions.
- APRIL and its supply partners have planted acacia trees on over 240,000 hectares of peatland in Indonesia. Due to the oxidation of drained peatlands, the annual greenhouse gas emissions from peatlands due to APRIL's acacia operations amount to an estimated 19.3 million tonnes of CO₂, equivalent to the yearly emissions of 10 million personnel cars.
- In the provinces of North Sumatra, Riau, and West Kalimantan, RGE and its suppliers have several unresolved social conflicts with communities over land and evictions.

Limited information for stakeholders

The Royal Golden Eagle (RGE) group of companies is known for its opaque and complex company structures, which limits its information sharing with stakeholders:

- Except for the relatively small Indonesian pulp producer Toba Pulp Lestari, none of the business groups under the control of or under the same control as the RGE group of companies are listed on a stock exchange. This means that almost all RGE companies are exempt from the information requirements of stock exchanges.
- Business groups under the control of or under the same control as the RGE group of companies are ultimately owned by entities registered in secrecy jurisdictions. The use of these jurisdictions makes evading/avoiding taxes easier. Jurisdictions frequently used by RGE are the British Virgin Islands, Bermuda, Seychelles, and the Polynesian island country Samoa.
- The palm oil, pulp, and paper operations of RGE in Indonesia have company groups in their supply chain that are closely connected to RGE in various ways. RGE usually does not acknowledge that these company groups are company groups, which makes it easy for individual plantation companies of these company groups to hide from accountability for unsustainable practices.

Response by RGE:

RGE was given the opportunity to response to a draft-version of this report. The company's entire response of 15 pages can be found [here](#). RGE stated that the draft-report "is mostly a compilation of issues which we have either clarified publicly in the past or are addressing in an open and transparent manner."

Aidenvironment replies that:

- The sustainability performance of Asia Symbol certainly was not one of these issues earlier clarified by RGE. In its response, RGE promised progress on the performance of Asia Symbol, but without deadlines.
- On the deforestation cases in Indonesia, RGE kept on denying that it has not been living up to its no-deforestation policies. Aidenvironment stands firm on its cases.
- On the poor ranking of RGE by the Canada-based environmental organization Canopy, RGE stated that Canopy's ForestMapper tool lacks the necessary details. This might be true to some extent, but RGE's Indonesian deforestation record justifies a low ranking.

On chapter 5 of this report, RGE responded that this chapter contains inaccurate information about the organization structures and tax allegations. RGE added that it does not disclose financial or commercially sensitive information.

Conclusions and recommendations

Conclusions

RGE's global wood use for pulp, paper and viscose fibres comes with several sustainability issues that are not accounted for by RGE. Examples include the sourcing of wood chips and pulp by its paper company in China, its pesticide use in eucalyptus plantations in Brazil, and its laxity about preserving HCS and/or HCV areas in Indonesia.

Recommendations

RGE needs to take its sustainability performance and reporting to the next level on these and other issues. Companies buying palm oil, pulp, paper or viscose fibres from an RGE business group should increase pressure on RGE to improve its sustainability performance.

‘Companies buying palm oil, pulp, paper or viscose fibres from an RGE business group should increase pressure on RGE to improve its sustainability performance.’



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Chapter One



RGE companies in the global pulp and paper sector

‘Two other, relatively small business groups are under the same control as the RGE group of companies, yet RGE does not include them.’



Seven business groups

Royal Golden Eagle (RGE) manages five business groups in the pulp and paper sector: APRIL and APR (both located in Indonesia), Asia Symbol and Sateri (both located in China), and Bracell (located in Brazil).

Two other, relatively small business groups in the pulp and paper sector are under the same control as the RGE group of companies, yet RGE does not include them in the RGE group of companies. These are the Indonesian plantation company and pulp producer PT Toba Pulp Lestari¹ and the Malaysian paper company Asia Honour Paper.²

Other business groups within the RGE group of companies are Apical, Asian Agri (both active in the palm oil sector) and Pacific Energy (energy company). According to RGE's website, each business group operates independently with its own holding company and is governed by a board of directors and management overseeing operations and strategy.³

Figure 1

RGE's group of companies

Source

RGE, RGE's group of companies

Pulp and paper production data

The table below shows RGE’s seven business groups in the pulp and paper sector, and the most recent data found on their pulp and paper production. The data reflect actual production. Except for the factory of Asia Honour Paper in Malaysia, RGE does not use recycled paper in its production process. During the second half of 2021, Bracell increased its pulp production

capacity with 1.5 million tonnes/year, which means that its present production is higher than depicted in the table. The RGE business groups have related party transactions, notably deliveries of dissolving pulp from APRIL and Bracell to Sateri. The extent of such transactions is however not disclosed by RGE.

BUSINESS GROUP	PULP PRODUCTION (MILLION TONNES/YEAR)	PRODUCTION PAPER, PAPERBOARD AND VISCOSE FIBRES (MILLION TONNES/YEAR)
China - Asia Symbol	2.0	1.56
China - Sateri	–	1.5
Brazil - Bracell	0.75	–
Indonesia - APR (Asia Pacific Rayon)	–	0.2
Indonesia - APRIL	2.7	1.1
Indonesia - Toba Pulp Lestari	0.2	–
Malaysia - Asia Honour Paper	–	0.2
Total production	5.65	4.56
Brazil - Bracell (capacity increase)	1.5	–
Total production capacity	7.15	4.56

Table 1
Production of pulp, paper, paperboard and
viscose fibres by RGE business groups

Ranking

RGE has its largest pulp and paper operations in China, Brazil, and Indonesia. It has an impressive market share for some of its pulp producing operations and for applications such as viscose fibres and copy paper:

- Sateri claims to be the world’s largest producer of viscose fibres, made from dissolving pulp.⁴ Viscose is the third most commonly used textile fibre in the world, after polyester and cotton.⁵
- Bracell has stated that, after its expansion project, it would be the world’s largest producer of dissolving pulp.⁶
- Asia Symbol states that, in China, it “operates the world’s largest single pulp production line”⁷ and it has the largest market share on the medium-to-high end copy paper market.⁸
- APRIL is the second largest pulp and paper producer in Indonesia.⁹

Sustainable sourcing

RGE has a policy regarding its sustainable sourcing, which applies to RGE companies and all third-party fibre, wood and pulp suppliers to RGE companies. The policy contains the usual elements of No deforestation, No Peat, No Exploitation (NDPE) policies, with one important exception. It does not rule out development on peatland.¹⁰

The international not-for-profit organisation Forest Stewardship Council (FSC), which sets standards for responsible management of forests, disassociated itself from APRIL in August 2013.¹¹ The other main certification standard for forest management is the Programme for the Endorsement of Forest Conservation (PEFC). PEFC is generally considered weaker on sustainability by NGOs than FSC.¹²



Chapter Two

RGE companies and wood sourcing



2.1

China - Asia Symbol

Operations

Asia Symbol's total output of wood pulp, paper board and fine paper was 3.6 million tonnes in 2019, and 3.2 million tonnes in 2017. Asia Symbol has industrial units in China's Shandong and Guangdong provinces:

- In 2019, Asia Symbol (Shandong) Pulp and Paper Co Ltd produced 2 million tons of commercial pulp (bleached hardwood kraft pulp and dissolved pulp) and 0.56 million tonnes of paper board (premium ivory paperboard and liquid packaging board). In its Sustainability report 2015-2017, Asia Symbol mentioned that its high-grade commercial wood pulp had, with 15%, the largest market share of China. The Asia Symbol page on the RGE website mentions that Asia Symbol “operates the world’s largest single pulp production line.”¹³
- Asia Symbol (Guangdong) Paper Co Ltd produced 1 million tonnes tons of premium fine paper in 2019. In its Sustainability report 2015-2017, Asia Symbol mentioned that it accounts for 30% of China's medium-to-high end office paper market, the largest market share in China. PaperOne is its most famous brand.¹⁴ PaperOne is also the office paper brand produced by APRIL.¹⁵
- Asia Symbol (Guangdong) Paper aims to add the production of tissue market to its repertoire from the end of 2022 onwards.¹⁶



Figure 2
Asia Symbol: from sourcing to sales

Source
Asia Symbol,
Sustainability reports
2015-2017 and
2018-2019.

Wood sourcing

The Asia Symbol Woodchip and Pulp Sourcing Policy (a NDPE policy) was issued in December 2015 and updated in September 2017.¹⁷ Asia Symbol also mentions that it requires its suppliers to comply with it. The RGE Forestry, Fibre, Pulp & Paper Sustainability Framework also applies to Asia Symbol.¹⁸ In its Sustainability report 2018-2019, Asia Symbol states that 40.4% of the wood chips and 49.4% of the wood pulp purchased was Programme for the Endorsement of Forest Conservation (PEFC) in 2019. Asia Symbol does not reveal its suppliers.

The wood chips used by Asia Symbol Shandong are mainly from acacia, eucalyptus, and coniferous forest. The wood chips stem from Australia, Chile, Brazil, Vietnam, Thailand, and Malaysia.¹⁹ Since no trade data

are available at importer/exporter level, it is impossible to trace the exporting companies.

The Australian wood chips are likely made from hardwood. Due to their physical characteristics, hardwood chips are often used for the production of high-quality paper. Australia's hardwood production takes place in South Australia, Victoria, Western Australia and Tasmania states. Some of the production takes place at the cost of old-growth forests, High Conservation Values and endangered species and ecosystems, which degrade, or face increased risk of extinction in the wild, due to extensive logging. Recent reports also detail violations of environmental laws by state government logging agencies.²⁰

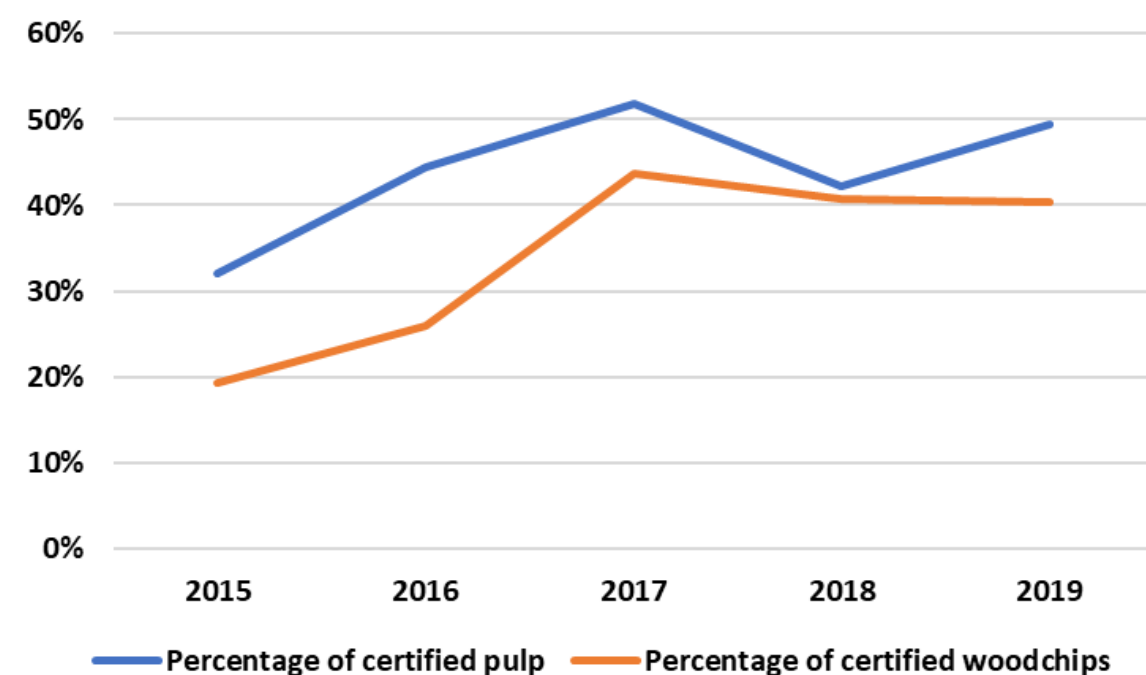
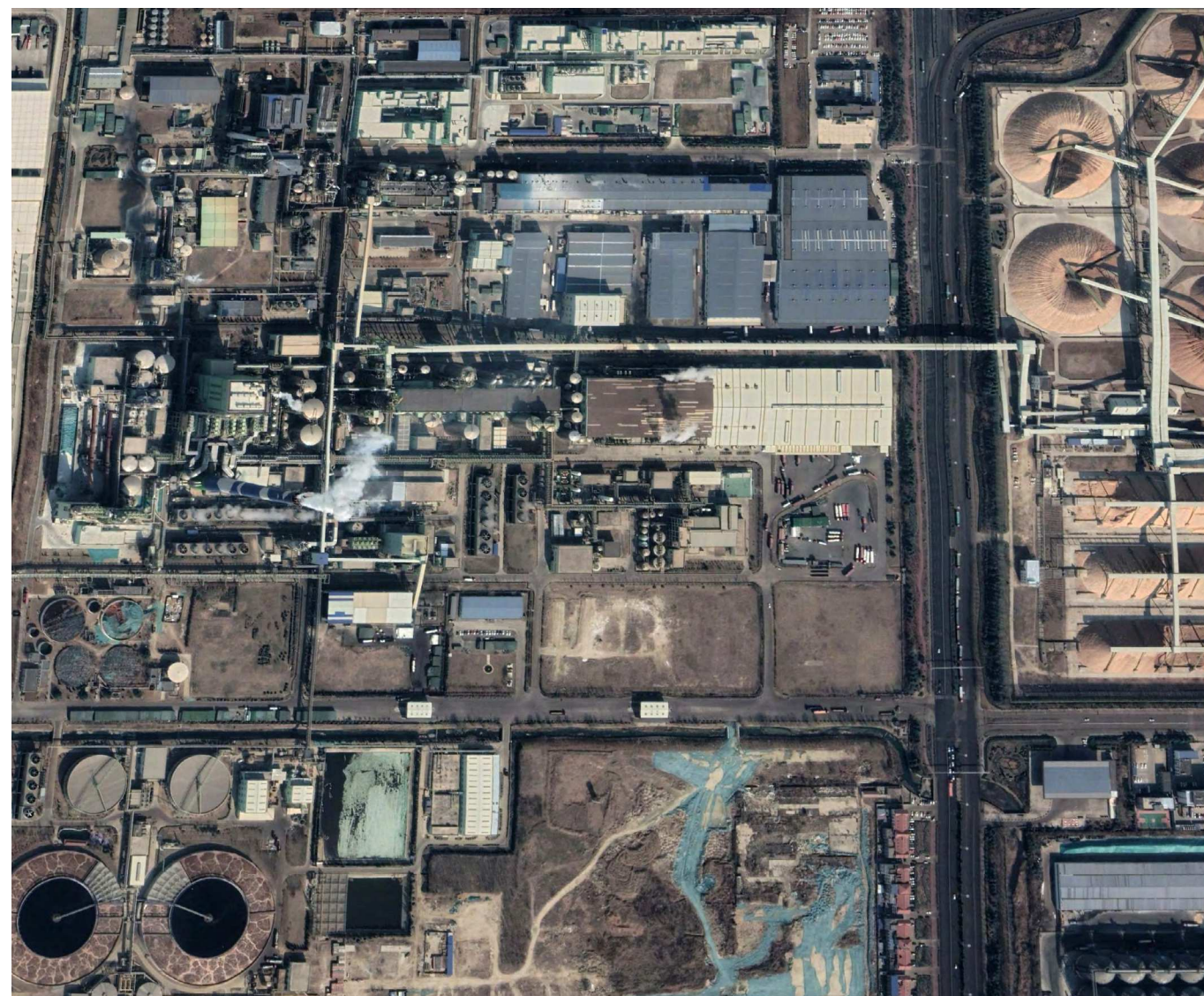


Figure 3 (left)

The industrial unit of Asia Symbol Shandong

Source

Google Earth image dated 20 February 2021, coordinates: 35°22'35.91"N; 119°31'12.88"E.

Figure 4 (above)

Sourcing of PEFC certified pulp and woodchips by Asia Symbol

The pulp used by Asia Symbol Guangdong stems from Canada, Indonesia, and China. The Indonesian and Chinese pulp are likely produced by APRIL and Asia Symbol Shandong, respectively. The Canadian pulp is bought from third parties. Canadian export data are not retrievable on exporter/importer level, yet U.S. import data show some supplies from Canada to Asia Symbol. It is likely these supplies made a stopover in the United States. U.S. import data over the first nine months of 2021 reveal that Asia Symbol imported 8,000 tonnes of pulp from the Canadian company Millar Western. During 2020, Asia Symbol imported 17,000 tonnes into the USA from Millar Western.²¹

‘Canada export data are not retrievable on exporter/importer level, yet U.S import data show some supplies from Canada to Asia Symbol.’

2.2

China - Sateri

Operations

Sateri claims to be the world’s largest maker of viscose fibre, having production facilities at various locations in China. It has an annual production capacity of 1.5 million tonnes.²² The viscose fibres are made from dissolving pulp. In May 2021, Sateri announced an acquisition of a Chinese factory that would increase its annual capacity with 0.33 million tonnes. Completion of the acquisition is still subject to procedural approvals by relevant authorities.²³

Wood sourcing

Sateri discloses its suppliers of dissolving pulp.²⁴ These can be viewed in the table below. However, no data on the the volumes supplied are disclosed. It’s likely Sateri sources most dissolving pulp from the RGE companies APRIL and Bracell. RGE is one of the main global producers of dissolving pulp, next to the South African Sappi Group, Austrian Lenzing Group, and the Indian Aditya Birla Group.²⁵ Gores Group, Siam Cement Group, Arauco and Södra are known to be relatively small producers of dissolving pulp.

In its Sustainability report 2020, Sateri states that most of its volume of wood pulp purchases stemmed from areas that are certified for sustainable forest management: 86.0 percent PEFC certified and 9.5 percent FSC certified.²⁶

In October 2020, the Canada-based environmental organization Canopy announced that fifty-two percent of the global viscose supply had been deemed ‘green shirts’ in its Hot Button Report and Ranking. A ‘green shirt’ rating indicates that a producer has been audited and assessed as being at low risk, or has taken substantive action to eliminate known risk of sourcing from Ancient and Endangered Forests. According to the research, the four largest viscose producers globally are Sateri (18.7% of production capacity), Aditya Birla (13.9%), Lenzing (12.6%) and Tangshan Sanyou (10.4%). Sateri was the only one among these companies not to receive a green shirt. Aditya Birla, Lenzing and Tangshan Sanyou scored 33, 31 and 27.5 Hot Buttons respectively in Canopy’s assessment, while Sateri earned 16 Hot Buttons only.²⁷

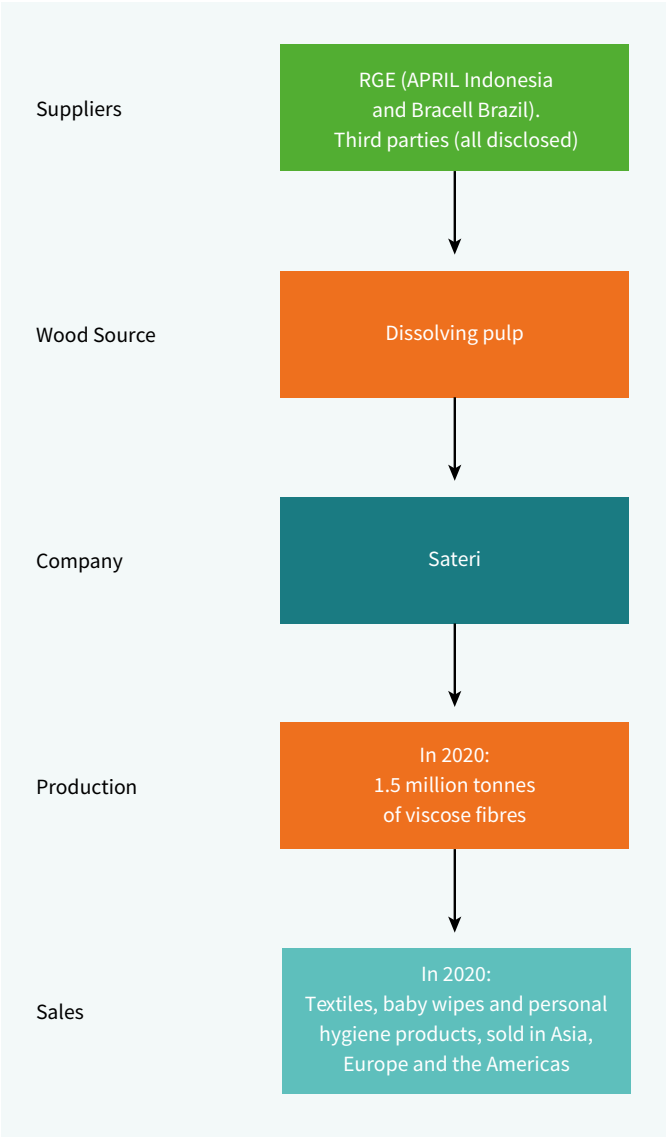


Figure 5
Sateri: from sourcing to sales

Source
Sateri, Sustainability report 2020

SUPPLYING COMPANY GROUP	SUPPLYING COMPANY	COUNTRY
RGE	Bracell	Brazil
RGE	APRIL	Indonesia
Sappi	Sappi	South Africa
Lenzing Group	Biocel	Czech Republic
Gores Group	Cosmo Specialty Fibers	United States
Siam Cement Group	Phoenix	Thailand
Rayonier	Rayonier A.M. Canada G.P.	Canada
Arauco	Arauco	Chile
Södra	Södra	Sweden

Table 2
Companies selling dissolving pulp to Sateri as of January 2022

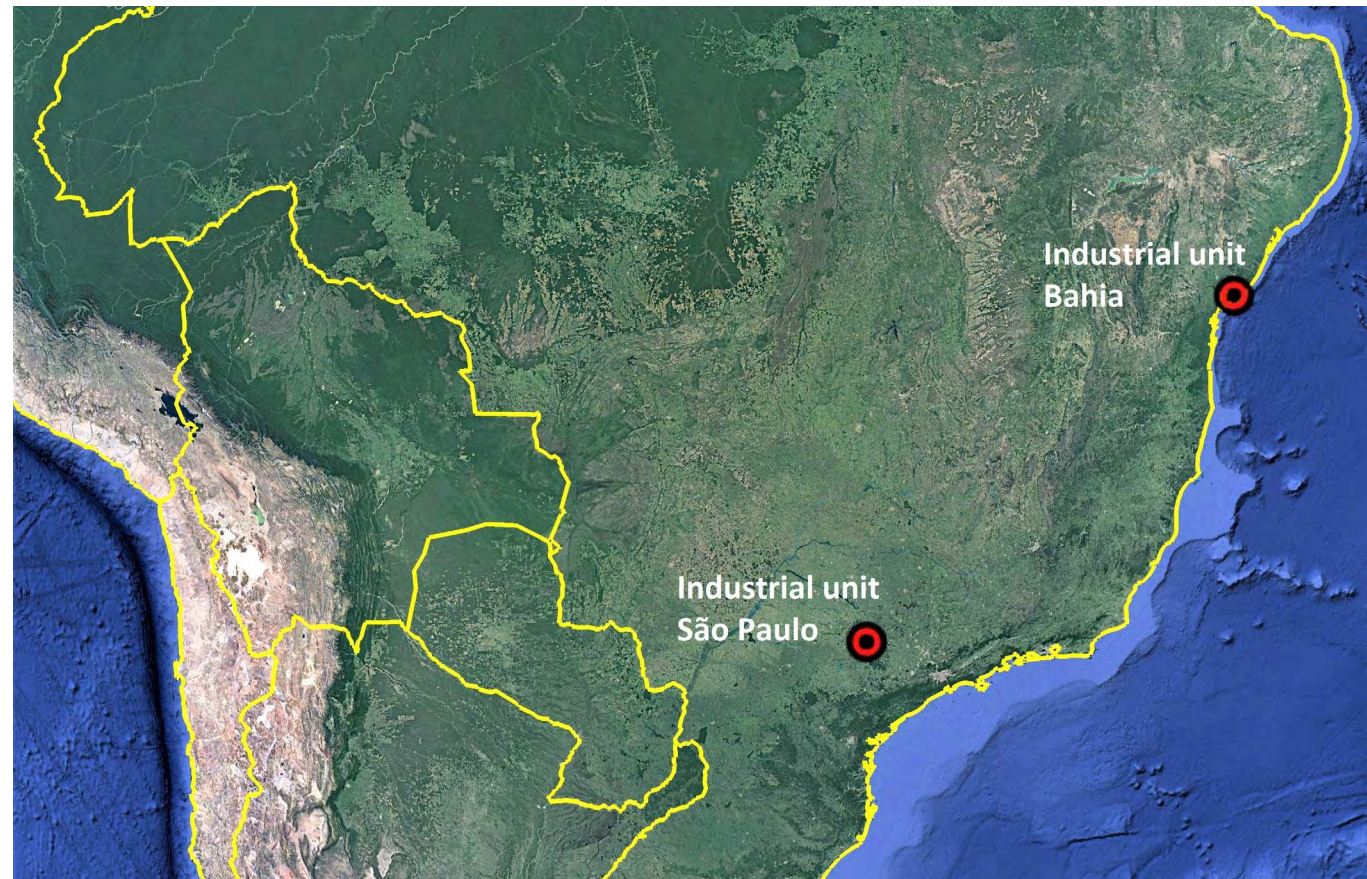
Source
Sateri, Pulp suppliers

Customers

Fashion brands sourcing viscose fibres from Sateri include H&M, Adidas, Primark, ASOS, Next, Abercrombie & Fitch and Desigual.²⁸

2.3

Brazil - Bracell



Operations

Bracell's industrial unit in Camaçari, Bahia state, has an annual capacity to produce 500,000 tonnes of dissolving pulp. It manufactures two types of dissolving pulp: rayon-grade and specialty-grade. The dissolving pulp produced in 2020 was mainly exported to China (64 percent) and the United States (27 percent). Bracell also has an industrial unit in Lençóis Paulista, São Paulo state. It was able to yearly produce 250,000 tonnes of kraft pulp, but that was before the expansion project.²⁹

Bracell's expansion project at the unit in São Paulo was completed in September 2021. The project, called Project Star, was primarily designed for dissolving pulp,

yet the design also allows for producing kraft pulp. The annual production capacity in São Paulo is now 1.5 million tonnes of dissolving pulp or up to 3 million tonnes of kraft pulp.³⁰

Bracell's capacity to produce dissolving pulp presently stands at 2.0 million tonnes. According to Bracell, the expansion project will make Bracell the world's largest producer of dissolving pulp.³¹ Dissolving pulp is used in a wide range of products, from textiles, baby wipes and eyeglass frames to sausage packaging and pharmaceuticals, as well as industrial products such as high-performance tyre cords.

Figure 6
Location of Bracell's industrial units

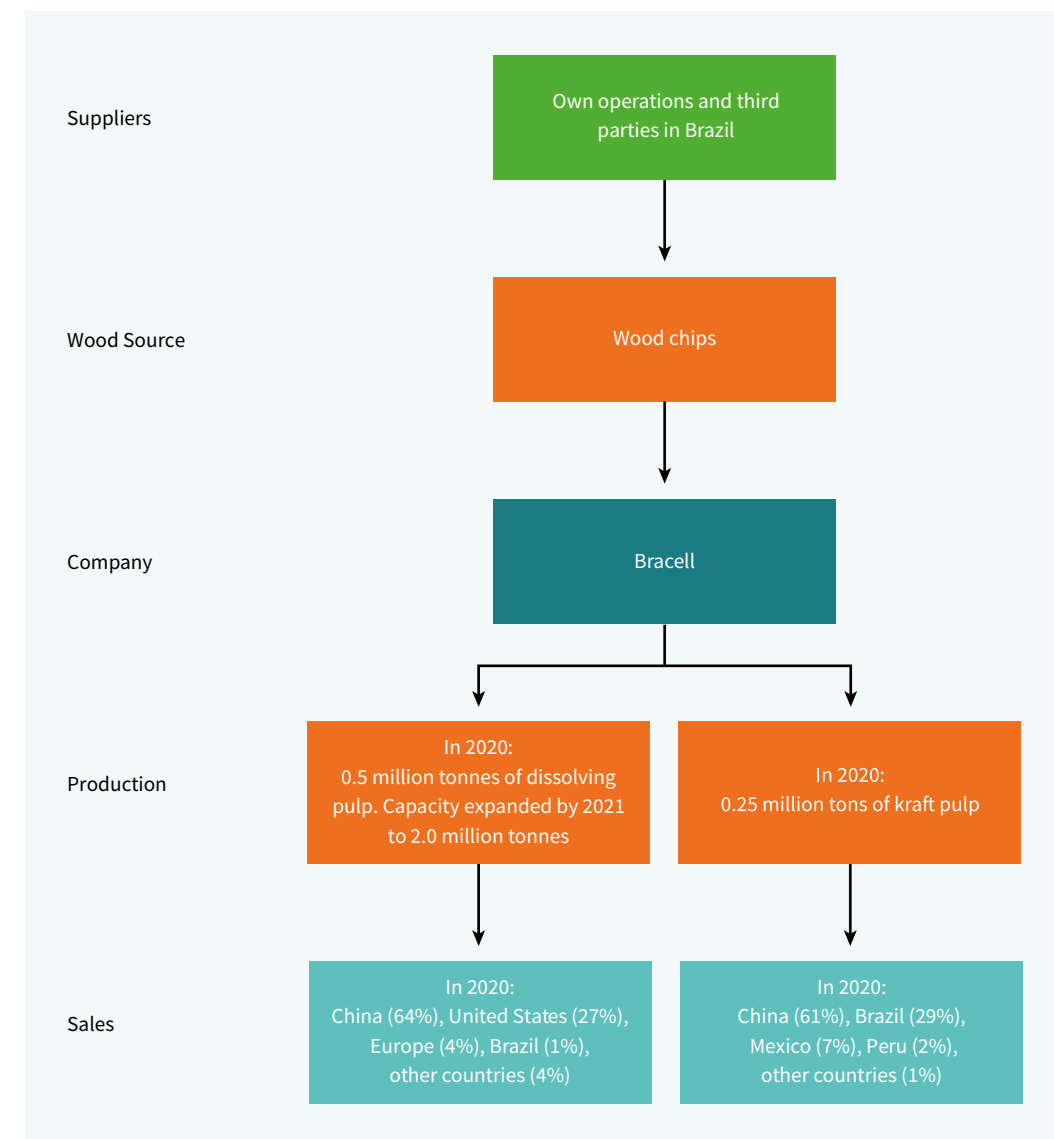


Figure 7

Bracell: from sourcing to sales

Source

Bracell, Sustainability report 2020

Wood Sourcing

Bracell sources pulp from planted eucalyptus trees. The trees achieve an average planting to harvesting interval of six years. In its Sustainability reports over 2018, 2019 and 2020, Bracell does not present a clear picture on its eucalyptus sourcing. Bracell's page on the RGE website states that Bracell manages approximately 234,000 hectares of owned land in the vicinity of the industrial units. This land is 70%-covered with planted eucalyptus.³² In its Sustainability report 2020, however, Bracell also mentions sourcing via partnerships with local farmers and via purchases on the open market.³³ Bracell does not reveal how much eucalyptus it sources via these categories.

Bracell's expansion potentially quadruples its production of dissolving pulp, thereby also requiring a harvest that is four times larger. Bracell acquired 21,066 hectares plantation land in the central region of the state of São Paulo, including already established forests and additional wood volume. The acquisition costs were BRL 1.06 billion (equivalent to USD 194 million).³⁴ However, this acquisition likely does not provide for all extra raw materials needs. In its Sustainability report 2020, Bracell does mention a "forest expansion project" and "an expansion of the area of activity in several regions of São Paulo"³⁵, yet overall it does not elaborate on its future sourcing of eucalyptus.

An indicator of Bracell's increasing forestry activities are the produce of its nurseries. These produced 23.3 million seedlings in 2018, 40.3 million seedlings in 2019 and 50.4 million seedlings in 2020. In 2021, the capacity of its nurseries increased to 72 million seedlings.³⁶

On 7 March 2022, a group of women of the Landless Rural Workers Movement (MST) protested in front of the head office of Bracell, holding the company responsible for transforming arable lands into an immense infertile desert. The protesters also mentioned that Bracell operates on disputed lands, the so-called Monção Colonial Nucleus. MST has been fighting for at least 27 years for these lands to be identified and recognized as belonging to the government, and to be collected for agrarian reform settlements, meeting the social demand of landless families in the region and to create territories for the production of healthy food.³⁷

Expansion in progress, RGE's industrial unit in São Paulo, Brazil

Source

Google Earth image dated 14 March 2021, coordinates: 22°32'31.56"S; 48°48'47.40"W



Sustainable management of forests

Bracell updated its Group Sustainability Policy in June 2019. It commits to “no deforestation” and “to use only eucalyptus wood from reforestation activities in its production processes”.³⁸

Bracell holds Cerflor/PEFC certification for the responsible management of its forestry units in São

Paulo and Bahia. Cerflor is a Brazilian forest certification program. It is endorsed by the Program for the Endorsement of Forest Certification (PEFC). Bracell also holds certificates for the chain of custody of wood.³⁹ The 90,000 forest area in São Paulo state was FSC-certified for sustainable forest management until February 2020.⁴⁰

Eucalyptus Trees
Shutterstock



2.4

Indonesia - APRIL

Figure 8

APRIL's pulp and paper mill in Riau province, Sumatra

Source

Google Earth image dated 10 August 2020, coordinates: 0°26'21.88"N; 101°53'25.61"E.

Operations

In 2020, APRIL produced 2.7 million tonnes of pulp and 1.1 million tonnes of paper.⁴¹ This means that the company was producing at full capacity, as its capacity is 2.8 million tonnes for pulp and 1.15 million tons for paper.⁴² APRIL Group's pulp and paper mill is located in Pangkalan Kerinci, Pelalawan district, Riau province, Sumatra.

APRIL produces bleached acacia kraft pulp (BAKP), which is suitable for all paper grade segments. The company also produces dissolving pulp that is sold to Sateri and Asia Pacific Rayon.⁴³ For paper, APRIL's flagship brand is PaperOne. It offers office paper.⁴⁴ PaperOne is also the office paper brand produced by Asia Symbol.

APRIL intends to increase its pulp capacity to 5.8 million tons per year, and to yearly produce 2.9 million tons of paperboard. "Our expansion plans will be subject to a number of local and national regulatory approvals and we are working through these," APRIL told Mongabay in an email in October 2021. "approved based on current plans, the first phase of new production capacity will come on stream in 2025."⁴⁵ On 29 March 2022, APRIL announced an investment of IDR 33.4 trillion (equivalent to USD 2.3 billion) in a paperboard production facility. When completed, the facility will be capable of producing 1.2 million tons of folding box board annually. Striking is that the company will not be using any recycled paper in the production process.⁴⁶

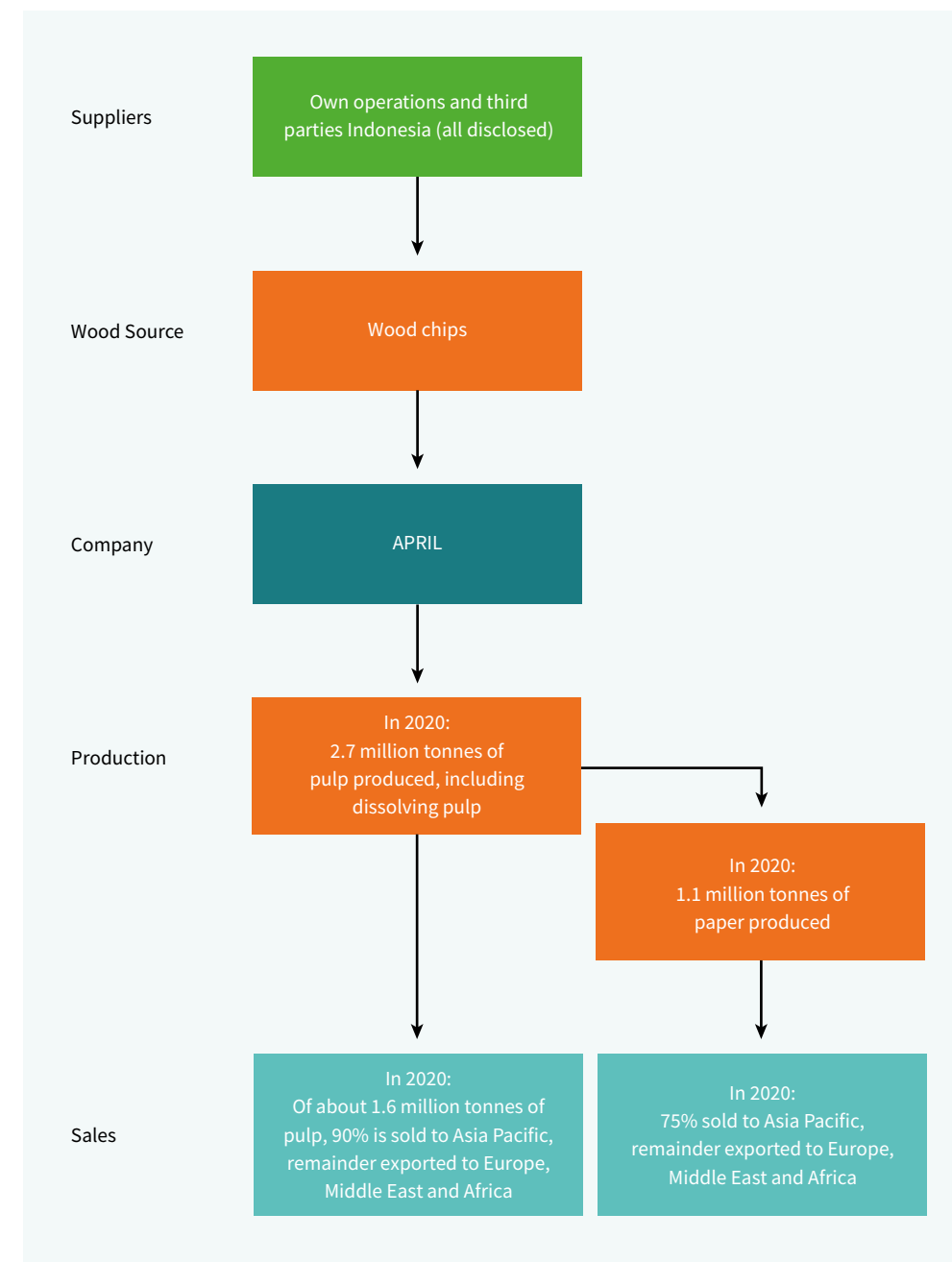


Figure 9

APRIL: from sourcing to sales

Source

APRIL, Sustainability report 2020

‘For paper, APRIL's flagship brand is PaperOne. It offers office paper. PaperOne is also the office paper brand produced by Asia Symbol.’

Wood Sourcing

APRIL publishes lists of its wood pulp suppliers.⁴⁷ It distinguishes four types of suppliers:

- **RAPP, 37% of all supplies.**
APRIL owns the concession of PT Riau Andalan Pulp and Paper (PT RAPP), which amounts to 339,000 hectares and is located in Riau province.
- **Supply partners, 40% of all supplies.**
Supply Partners are fibre suppliers who are long term partners of APRIL and contribute to its 1-for-1 commitment, where the company aspires to conserve or restore one hectare of forest for every hectare of plantation. These are the following company groups: Sumatera Dinamika Utama group, Panca Eka and Jimmy Bonaldy Pangestu & partners.⁴⁸
- **Open market suppliers, 20% of all supplies.**
Open Market Suppliers are fibre suppliers that do not contribute to the 1-for-1 commitment and are contracted for open-market supply purchases. As of October 2021, the following company groups were RGE's open market suppliers: BLD/KTS (Sarawak), PT Adindo Hutani Lestari, PT ITCI Hutani Manunggal (which is under the same control as RGE), Oji Holdings, Sumitomo, ADR Group and Djarum.
- **Community fibre plantations, 3% of all supplies.**

As of 31 December 2020, concessions of APRIL and its suppliers amounting to 720,000 hectares have been PEFC-certified for sustainable forest management. In its Sustainability report 2020, APRIL states that this is 89 percent of its concessions.⁴⁹

Export Data

Indonesian export data provide some information on the export markets of RGE's pulp and paper business in Indonesia. The goods are, according to the trade data, sold to the foreign RGE companies April International Enterprise Pte Ltd (registered in Singapore), April Far East Malaysia Sdn Bhd (registered in Malaysia) and to a lesser extent DP Marketing International Macao Commercial Offshore Limited (registered in China). The trade data do not reveal the ultimate importing companies, yet the importing countries provide some insight:

- RGE exported 963,000 tonnes of chemical wood pulp (HS code 47032900) during 2020. The main countries importing the pulp were China (36%), Singapore (30%, yet likely to be re-exported), South Korea (11%), Bangladesh (5%) and India (4%).⁵⁰
- RGE exported 417,000 tonnes of dissolving pulp (HS code 47020000) during the second half of 2020. According to trade data, the main importing countries were Malaysia (44%) and Singapore (42%), yet likely the pulp is re-exported from these countries.⁵¹
- RGE exported 375,000 tonnes of paper for writing, printing, and other graphic purposes of the HS Code 48025690 during the first nine months of 2020, and 140,000 tonnes of paper for writing, printing, and other graphic purposes of the HS Code 48025590 during the second half of 2020. The main destination countries were China (25%), Philippines (14%), Vietnam (8%), Malaysia (7%), and South Korea (6%).⁵²



Figure 10
Industrial trees and natural tree cover inside the concession of PT Riau Andalan Pulp and Paper

Source
Google Earth image dated 16 October 2020, coordinates: 0° 5'25.56"S; 101°13'44.32"E.

‘Open Market Supplies are fibre suppliers that do not contribute to the 1-for-1 commitment and are contracted for open-market supply purchases.’

2.5

Indonesia - Asia Pacific Rayon (APR)

Figure 11
APR: from sourcing to sales

Source
APR, Sustainability report 2020

Operations

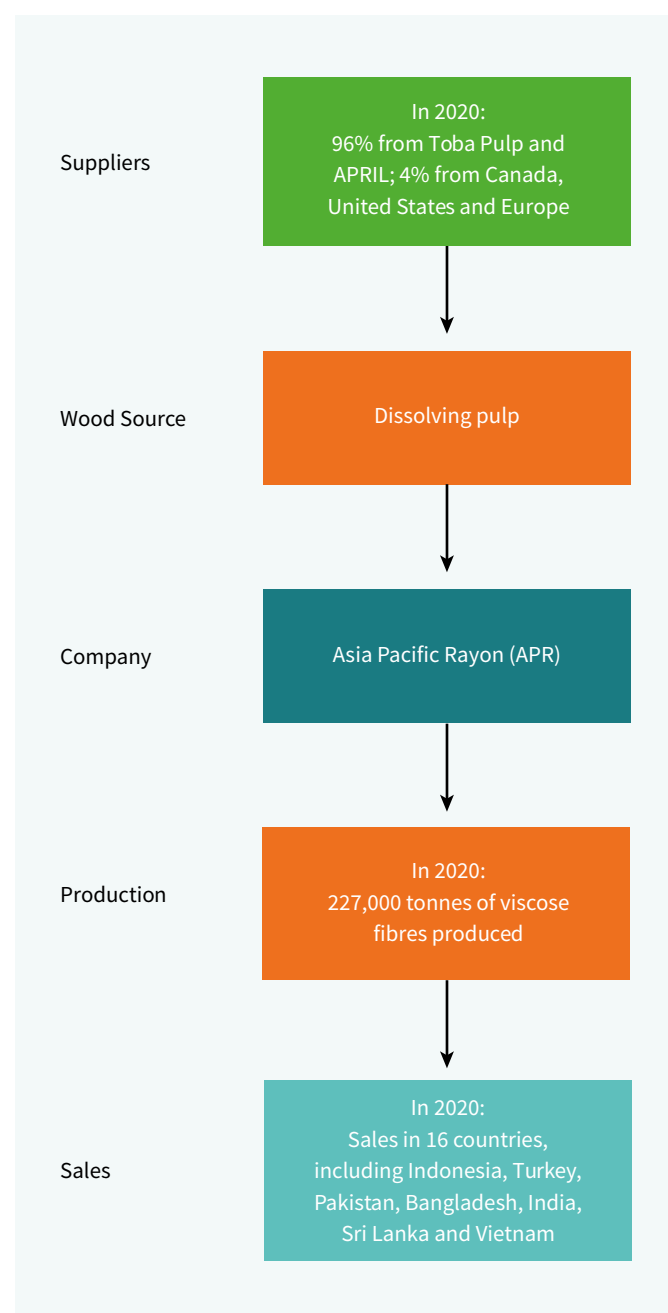
PT Asia Pacific Rayon (APR) claims to be the first fully integrated viscose rayon producer in Asia, from plantation to viscose fibre. Its 240,000-tonnes capacity mill is located adjacent to April's industrial units in Pangkalan Kerinci, Riau Province.⁵³ APR produces viscose rayon fibres used in textile and personal hygiene products. In February 2021, APR announced its plans to increase its production capacity to 600,000 metric tonnes at the same location.⁵⁴

Wood sourcing

APR reveals its suppliers. These are Toba Pulp Lestari, APRIL, Cosmo Specialty Fibers (USA) and Rayonier Advanced Materials (Canada).⁵⁵ According to APR's Sustainability report 2020, APR sourced a total of 231,860 tonnes of dissolved pulp in 2020 to produce viscose staple fibre. Two Indonesian pulp suppliers, Toba Pulp Lestari and APRIL, supplied 96% of the pulp. The remaining 4% originated from Canada, the United States and Europe.⁵⁶ In 2020, Toba Pulp Lestari actually supplied an estimated 86% of APR's pulp needs, so APRIL's share would be around 10%.⁵⁷

APR updated its sustainability policy in September 2020.⁵⁸ The Royal Golden Eagle (RGE) Forestry, Fibre, Pulp & Paper Sustainability Framework also applies to APR.⁵⁹

In October 2020, the Canada-based environmental organization Canopy announced that fifty-two percent of the global viscose supply had been deemed 'green shirts' in its Hot Button Report and Ranking. A 'green shirt' rating indicates that a producer has been audited and assessed as being at low risk, or has taken substantive action to eliminate known risk of sourcing from Ancient and Endangered Forests. While a maximum score of 35 Hot Buttons could be earned, and over 20 Hot Buttons were needed to be deemed 'green shirt', APR scored no more than 9.5 Hot Buttons.⁶⁰



2.6

Indonesia - Toba Pulp Lestari

Operations

Toba Pulp Lestari has an industrial tree concession area of 184,500 hectares in North Sumatra, and a pulp mill that is capable of yearly producing 240,000 tonnes of pulp.⁶¹ In 2020, Toba Pulp Lestari produced 206,000 tonnes of dissolved pulp. In 2019, PT Toba Pulp Lestari produced 146,000 tonnes of dissolving pulp and 39,000 tonnes of kraft pulp. RGE does not classify Toba Pulp Lestari as being part of RGE'S group of companies, yet Toba Pulp Lestari's annual reports show that RGE and Toba Pulp Lestari are under common control. As of 31 December 2020, the Singapore-based Pinnacle Company Pte Ltd owned 92.42% of Toba Pulp Lestari's shares. Pinnacle Company Pte Ltd is 100%-owned by Eden Hall Limited, registered in the Republic of Seychelles.⁶²

During the first half of 2021, PT Asia Pacific Rayon (APR) generated 77% of Toba Pulp's revenue, while the China-based trading company Greenpoint Global Trading (MCO) Limited generated the remaining 23%. Greenpoint is an entity under the same control as Toba Pulp. Over 2020, APR generated 90% of Toba Pulp's revenue, with the China-based trading company DP Marketing International (MCO) Limited accounting for the remaining 10%. DP Marketing is an entity under the same control as Toba Pulp.⁶³

Wood Sourcing

PT Toba Pulp Lestari Tbk has a concession area of 184,486 hectares, located in North Sumatra.⁶⁴ In 2019 a total of 56,975 ha of area had been planted with eucalyptus. Toba Pulp Lestari discloses its wood chips suppliers. Most of its needs come from its own concessions, yet another supplier is PT Sumatera Riang Lestari of the Sumatera Dinamika Utama group.⁶⁵

PT Toba Pulp Lestari Tbk does have a policy on sustainability. It contains most of the usual elements of No Deforestation, No Peat, No Exploitation (NDPE) policies.⁶⁶

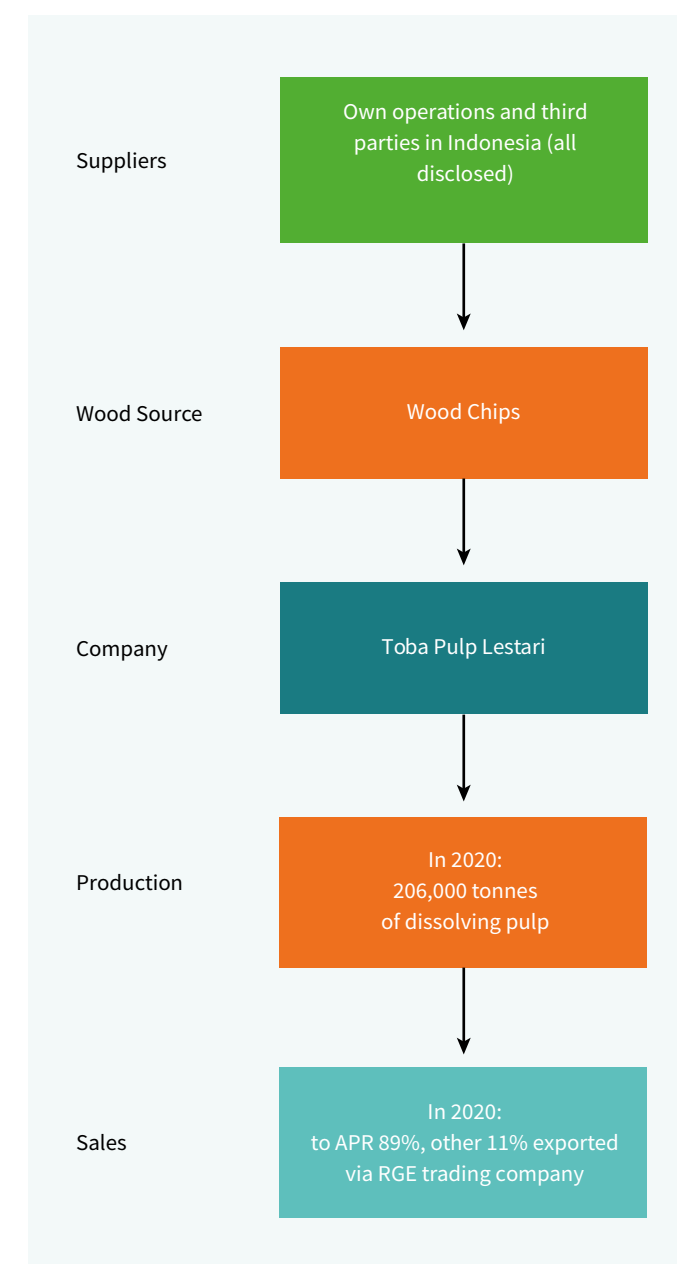


Figure 12
Toba Pulp Lestari: from sourcing to sales

Source
Toba Pulp Lestari, Annual report 2020, July 2021

2.7

Malaysia - Asia Honour Paper

Operations

Asia Honour Paper Industries (M) Sdn Bhd has a production capacity of 250,000 tonnes per year. It manufactures three categories of paper products: printing and writing paper, packaging paper, and newsprint. The company uses recycled paper as well as plantation fibres.⁶⁷ The former company's name was Malaysian Newsprint Industries Sdn Bhd.⁶⁸ It used to be the main newsprint supplier to the newspaper companies owned by the Malaysian Rimbunan Hijau Group.⁶⁹ RGE does not classify Asia Honour Paper as being part of RGE'S group of companies, yet company registry profiles show that RGE and AHP are under common control.⁷⁰

Wood sourcing

The front page of AHP's website mentions that it is "processing plantation fibre and wastepaper into recycled paper products." The company does not reveal how much of its input comprises plantation fibres, and also not where these are sourced.⁷¹

The RGE connected Sumatera Dinamika Utama's plantation company PT Sumatera Riang Lestari in North Sumatra, Indonesia.

Source

Screenshot Google Earth, May 2019.

Coordinates: 1°13'26.80"N; 99°56'17.84"E

‘ RGE does not classify Asia Honour Paper as being part of RGE's group of companies, yet company registry profiles show that RGE and AHP are under common control. ’

Chapter Three



Bracell's eucalyptus plantations and sustainability

Sustainably cultivated eucalyptus?

Eucalyptus is the most cultivated tree in Brazil, covering a plantation area of 7.5 million hectares.⁷² In December 2021, the RGE group of companies stated in a press release that its dissolving pulp is "made from sustainably cultivated eucalyptus." In its Sustainability report 2020, Bracell claims that 100% of the wood used in the pulp production process comes from certified forests or non-controversial sources.⁷³ However, despite these claims, Bracell's cultivation and sourcing of eucalyptus trees remains linked to several sustainability problems.

Eucalyptus Forest
Shutterstock



Water use

The forestry activities of Bracell are a main source of water use. Land use change from pasture to eucalyptus plantations leads to a decrease in groundwater recharge and levels. In addition, the monoculture plantations may deprive local communities of their water resources.⁷⁴ Bracell mentions that it consumed 592 million litres of water for its forestry activities in São Paulo state during 2020, mostly groundwater.⁷⁵ The water use for forestry activities will increase in the near future, as four times more eucalyptus trees are needed to enable the planned quadrupling of dissolving pulp production.

Bracell's operations in São Paulo state are in a region that frequently faces droughts and problems with water supplies. The droughts in central and southern Brazil have been linked to causes such as La Niña weather patterns, climate change and the cutting down of Amazon rainforests. The drought in 2021 led to fire outbreaks in August inside the municipalities of Piratininga and Duartina. The fires burned down approximately 2,000 hectares of eucalyptus plantations. Several areas managed by Bracell were also affected.⁷⁶

Groundwater levels are depleting in the region, due to residential, industrial, or agricultural use of water. A 2017 study into the future of water supplies to the city of Bauru concluded that, with the current scenario, there would be a significant decrease in the level of the Guarani aquifer, which perhaps would not guarantee the necessary flows for water consumption in Bauru in 2034.⁷⁷

Pesticide use

In its sustainability reports, Bracell does not reveal the types and amounts of pesticides it uses. This is striking, as pesticides are used extensively inside eucalyptus plantations and the use is accompanied by large environmental and health risks.

Some figures regarding Bracell's pesticide use could be tracked down via the FSC. A 90,000 hectare area owned by Bracell in São Paulo state used to be certified for forest management by the FSC. According to an evaluation report by a FSC-certification body, Bracell used 107 tonnes of Sulfluramid and 50 tonnes of Glyphosate during 2018.⁷⁸ Both sulfluramid and glyphosate feature on the list of highly hazardous pesticides, as compiled by the Pesticide Action Network International.⁷⁹

Sulfluramid is used against leaf-cutting ants. These ants can seriously affect eucalyptus plantations. Sulfluramid is made from perfluorooctane sulfonate (PFOS) and when used it breaks down into PFOS and other chemicals.⁸⁰ PFOS does not occur naturally in the environment and it is resistant to typical environmental degradation processes. As a result, it is found in soil, air

and groundwater. PFOS is linked to low birth weight, weakened immune response, liver effects, high cholesterol, thyroid dysfunction, cancer, and other health problems. The use of PFOS is restricted worldwide, yet a main exception is the use of sulfluramid in Latin America against leaf-cutting ants.⁸¹

Glyphosate is most used to control weeds, especially in the first three years after planting eucalyptus. The number of glyphosate-based formulations commercialized in Brazil corresponds to 60% of the total products available for the chemical control of weeds in eucalyptus plantations.⁸² Glyphosate residues have accumulated in the environment and the food chain. Correlations have been found between the increase in glyphosate use and several plant, animal and human diseases. In 2015, the World Health Organization warned about the potential negative health effects of glyphosate, including the risk of cancer development based on experimental research results, and reclassified glyphosate as probably carcinogenic to humans. Subsequently, several governments have partially restricted the use of glyphosate.⁸³

Decline of biodiversity due to eucalyptus plantations

In 2017, a study by researchers of universities in Chile, United Kingdom, Australia, India, United States, Norway, and Portugal was published in the international journal Global Ecology and Biogeography. It showed, according to one of the researchers, "for the first time and on a world scale, how the biodiversity beneath the eucalyptus tree is reduced and how extracts from eucalyptus leaves prevent root growth of other plant species." The study found that species richness of plants declined by an average of 51% under

the eucalyptus tree, as compared to the species richness in open areas. The decline in two Australian sites - the eucalyptus tree is native to Australia - declined by 8% only.⁸⁴

Its eucalyptus plantations may have low biodiversity, yet Bracell also manages about 83,000 hectares of environmental preservation areas. In its Sustainability report 2020, Bracell elaborates extensively about its recovery programs and biodiversity monitoring.⁸⁵

Climate change

In its Sustainability report 2020, Bracell states: "We are negative in carbon emissions: the net value of our emissions is lower than the carbon absorption promoted by our forests." Bracell claimed that the carbon stock of its forests has increased with 2.2 million tonnes of CO2-equivalents in 2019 and even 4.4 million tonnes of CO2-equivalents in 2020.⁸⁶ Bracell does not specify how this calculation is made. Likely the carbon stock increase is caused by trees growing in its preservation areas as well as an increase of eucalyptus trees growing for future harvest.

Eucalyptus plantations themselves do not contribute a lot to the reduction of climate change, due to the frequent harvest cycles. Within 2-3 years after harvest, almost all the "stored" CO2 is re-released into the atmosphere.⁸⁷

Figure 13

Harvesting in progress in a Brazilian eucalyptus plantation

Image

By Steve Strauss/Oregon State University via [Flickr](#) (CC BY-SA 2.0).



Chapter Four



Indonesia: deforestation, disputes and drainage

4.1

Lax in preserving High Carbon Stock areas

Figure 14 (Below)

Example of forest clearing (250 hectares) by
PT Adindo Hutani Lestari in 2020

Source

KLHK forest cover map 2016,
planet.com, KLHK Webgis Dephut

APRIL's sustainability policy was published in June 2015 and states: "Effective immediately, APRIL and its suppliers will only develop areas that are not forested, as identified through independent peer-reviewed HCV and HCS assessments." Two main examples of recent deforestation by APRIL suppliers, Adindo and Djarum, prove that APRIL is not in compliance with its policy on HCS areas.

There is a third party that assesses the policy compliance by APRIL and its suppliers. This third party is KPMG PRI and it is commissioned by APRIL's Stakeholder Advisory Committee. In its latest report, published September 2021, KPMG says: "Very little HCS information is currently available for supplier concessions."⁸⁸

Adindo

PT Adindo Hutani Lestari (Adindo) has a concession area of 182,000 hectares in North Kalimantan. It is an "open market supplier" to APRIL. In October 2020, the NGO-coalition Anti Mafia Hutan published a report, claiming 7,291 hectares of deforestation by Adindo between June 2015 and August 2020. APRIL's response was included to the NGO-report. According to APRIL, there had been no breach of its sustainability commitments. However, it did not respond to the deforestation figures presented by the NGOs. The NGOs reported that to the best of their knowledge, no HCS assessment had been conducted for the Adindo concession. In a report published September 2021, KPMG states that completion of an HCS assessment is pending for remaining undeveloped areas inside Adindo.⁸⁹

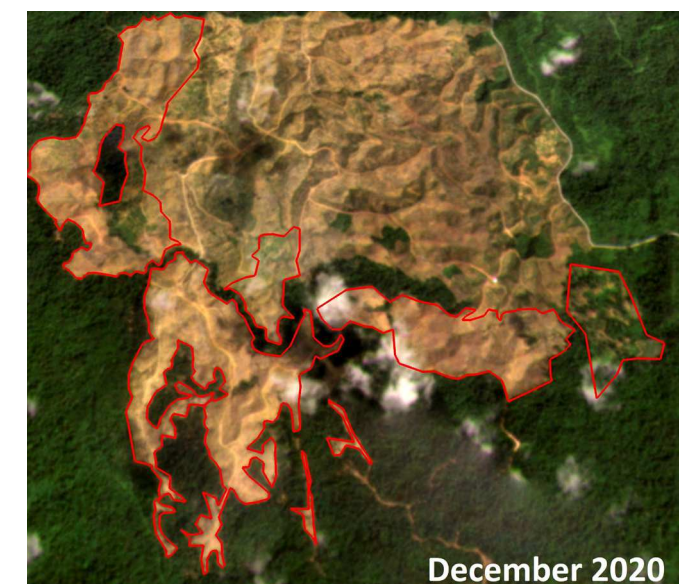




Figure 15 (Left)

Forest clearing by Djarum's industrial tree plantation PT Silva Rimba Lestari

Source

Planet satellite imagery as of December 2018, coordinates: 0°17'12.84"N; 115°56'47.40"E.

Three other deforestation cases

Three other deforestation cases show RGE's laxity regarding preserving HCS and/or HCV areas:

- APRIL breached its no-deforestation commitment by buying pulpwood from the plantation company PT Mayangkara Tanaman Industri (PT MTI) in West Kalimantan in 2019 and 2020. Back then, the company was 50%-owned by the Alas Kusuma group. The Alas Kusuma group cleared 5,900 hectares of forests between 2016 and March 2021. APRIL violated its own policy by purchasing from a company that is part of a company group linked to deforestation.
- In 2020, the plantation company PT Permata Borneo Abadi (PT PBA) cleared 850 hectares of forest for an industrial tree plantation. PT PBA was part of the RGE-connected Sumatera Dinamika Utama group. This company group is a recognized long-term partner supplying fibre to RGE. Also in this instance, APRIL violated its own policy by purchasing from a company that is part of a company group linked to deforestation.
- The Nusantara Fiber group, with various connections to RGE, has cleared over 32,000 ha of forests in 2016-2021. The Nusantara Fiber group is among the many company groups that are closely connected to RGE through involvement of ex-RGE employees, intensive trade relations with RGE or historical ownership of plantation companies by RGE. Other examples of such company groups that are closely connected to RGE are Anugrah Superventure, DTK Opportunity, Argyle Street Management and Tesoro Holdings in palm oil, and the Sumatera Dinamika Utama group for industrial trees.⁹¹

Djarum

In August 2018, Djarum's industrial tree plantation operations were targeted by the NGO-coalition Anti Mafia Hutan for clearing 20,000 and 12,800 ha of natural forests in East Kalimantan since 2013 through PT Fajar Surya Swadaya (PT FSS) and PT Silva Rimba Lestari, respectively. APRIL and APP had sourced plantation wood from the two companies in violation of their no-deforestation commitments. In a report released August 2021, Aidenvironment

documented 10,800 hectares of forest clearing from 2016 to March 2021 by the Djarum plantation companies PT Silva Rimba Lestari, PT Wana Hijau Pesaguan and PT Fajar Surya Swadaya.

Over the years, APRIL has continued to source pulpwood from Djarum, despite the latter's deforestation practices. Sinar Mas (APP) stopped sourcing from Djarum, because of its deforestation.

On PT Fajar Surya Swadaya (PT FSS), APRIL mentions that a High Conservation Value (HCV) assessment had been made for PT FSS in 2015. However, it does not mention the existence of an HCS assessment, and the HCV assessment has not been submitted to the HCV Resource Network for peer review. Sinar Mas (APP) has acknowledged, in a verification report published in October 2018, that PT FSS had been clearing HCS areas.⁹⁰

4.2

Land disputes

In September 2019, a group of Indonesian NGOs, in cooperation with the Environmental Paper Network, published a study on social conflicts, such as disputes over land and evictions, between RGE and its suppliers and communities. The study revealed that at least 101 communities are or have been in active conflict with RGE companies or their suppliers. In Riau province there were 72 villages or communities in active conflict with APRIL affiliates or suppliers, in West Kalimantan province there were three conflicts with APRIL suppliers, and in North Sumatra there were 26 conflicts with Toba Pulp Lestari.⁹²

In its sustainability report over 2020, APRIL states that as of 31 December 2020, the inactive areas due to unresolved land disputes amount to 22,985 hectares for PT RAPP and 65,377 hectares for its suppliers. The total amount of identified claimants was 789.⁹³

Regarding Toba Pulp Lestari there is a long history of community resistance against the pulp and paper company in their area. The Batak communities have depended on the forest for generations - collecting forest fruits and vegetables, hunting for food, and traditionally harvesting the sweet resin from kemenyan (benzoin) trees. Over the years, however, over 17,000 hectares of natural forest have been destroyed, impacting or displacing over 13,000 Indigenous people. At present, there is still an active movement of local communities,

Indigenous peoples, religious leaders, and NGOs demanding that the President and the Indonesian government revoke the permits held by Toba Pulp Lestari.⁹⁴

The US-based NGO Rainforest Action Network supports indigenous communities that are in conflict with Toba Pulp Lestari (TPL) for developing on community lands. One of at least 23 indigenous Batak Toba communities that are in conflict with Toba Pulp Lestari is the Pargamanan-Bintang Maria community. Its indigenous land amounts to 1,763 hectares of mostly forest. Over 40 percent of the community's land now overlaps with the TPL's concession, with almost a third already developed into pulp plantations. The rest could be developed whenever the company wishes to do so. In October 2021, the Indonesian government began to conduct verification of 18 Indigenous Batak Toba communities' customary forests that overlap with TPL's concession. Unfortunately, Pargamanan-Bintang Maria is not one of them. TPL claims that it has resolved the conflict with the Pargamanan-Bintang Maria Community and reached an agreement in 2009. The 2009 agreement does however not address the contested lands of 23 families within the Pargamanan- Bintang Maria Community that continue to oppose development on their Indigenous lands and customary forests that still overlap with TPL's concession.⁹⁵

4.3

Drainage of peatlands

Drainage of peatlands for industrial trees causes severe environmental issues, such as greenhouse gas emissions, subsidence and peat fires. APRIL and its supply partners have planted acacia trees on over 240,000 hectares of peatland.⁹⁶

Greenhouse gas emissions

The oxidation of drained peatlands causes greenhouse gas emissions. In a 2012 study, the yearly emissions for an acacia plantation on peat were estimated to be 80 tonnes CO₂ per hectare per year. This estimate is based on peat with a depth of four meters and an average water table depth of 0.8 metres.⁹⁷ A more recent study, published in 2021, sets the emissions at around 60 tonnes CO₂ per hectare per year. This estimate is made for peatlands that are subsiding at a rate of 4 centimetres per year, like APRIL's acacia plantations.⁹⁸ Both studies exclude the emissions of nitrous oxide, a potent greenhouse gas. Accounting for the emissions of N₂O would increase the emissions of CO₂ equivalents per hectare with 66 percent, according to a study published in 2020 for oil palm.⁹⁹

APRIL and its supply partners operate plantations on 241,850 hectares of peatland. Calculating from 80 tonnes of CO₂ per hectare per year, the annual greenhouse

gas emissions from peatlands due to APRIL's acacia operations amount to 19.3 million tonnes of CO₂. This is equivalent to the yearly emissions of 10 million personnel cars.¹⁰⁰

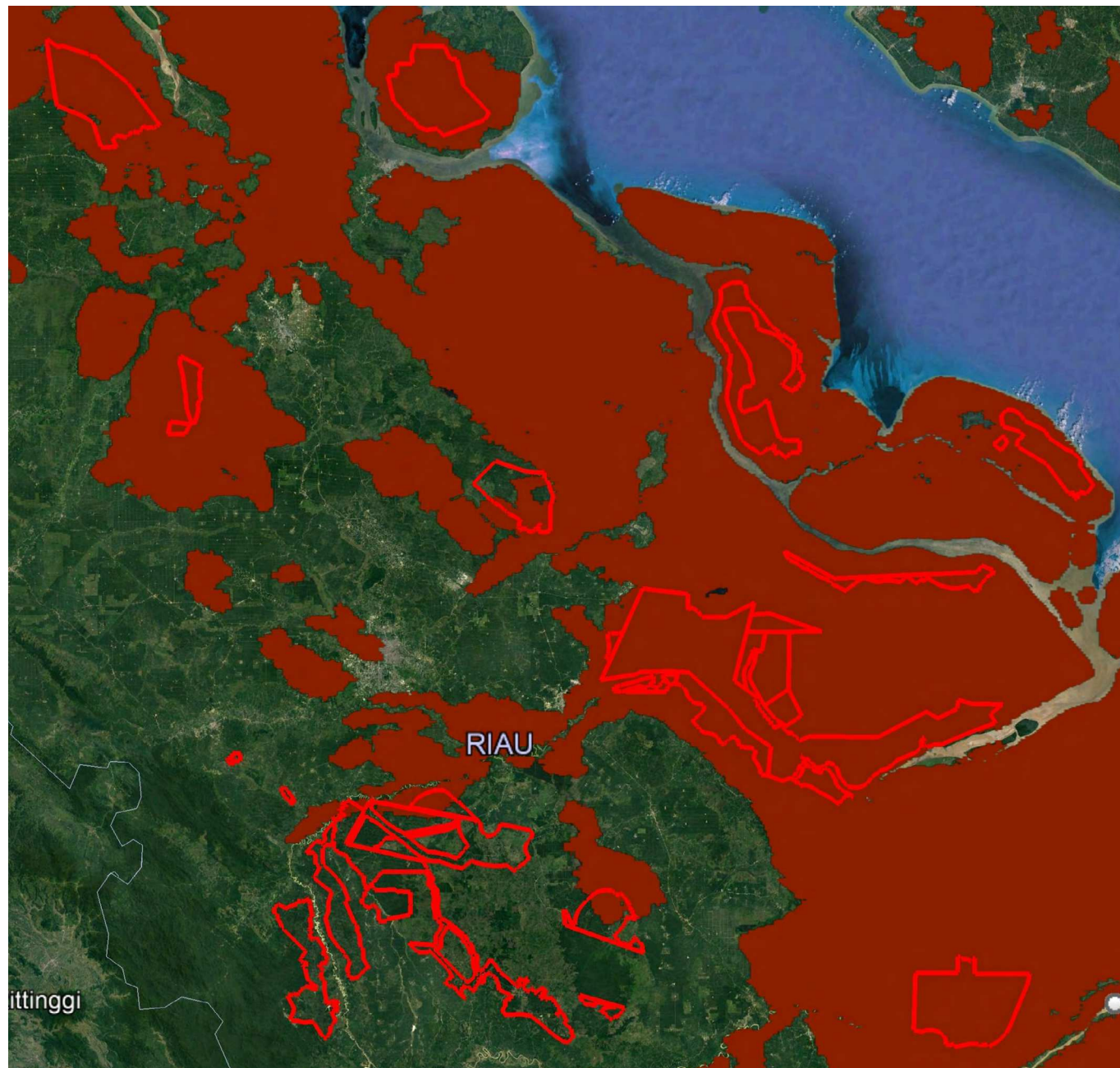
In its sustainability reports, APRIL does not provide an estimate of its emissions from peat oxidation, though it acknowledges that land use change emissions comprise the largest source of its organisational GHG inventory. By 2030, APRIL aims to have achieved net zero emissions with regard to its land use types: plantation, conservation and restoration areas.¹⁰¹ APRIL and its supply partners hold a conservation area of 214,285 hectares and APRIL also has a restoration project of 150,711 hectares on peatland.¹⁰² The restoration project, called Restorasi Ekosistem Riau, is said to generate approximately 6.8 million tonnes of carbon credits per year.¹⁰³

Subsidence

Drainage of peatlands causes subsidence. In a recent and extensive study, it was found that peatland acacia plantations in Sumatra are subsiding at an average rate of 4.2 to 4.3 centimetres per year.¹⁰⁴ Peat subsidence is caused by oxidation, shrinkage, and compaction of peatland. Due to the subsidence, the area will become relatively lower than its surroundings and

potentially be permanently flooded after the rainy season. Another risk is the infiltration of saltwater. At household level, the subsidence may damage houses.¹⁰⁵ Most of the peatland concessions of APRIL and its supply partners are located in Riau province of Indonesia. The figure below shows the concessions (marked in red) and the peatland areas (marked in brown).¹⁰⁶

Figure 16
Concessions in peatland of APRIL and suppliers in Riau Province
Source
KLHK Webgis Dephut, peatland maps Wetlands International and Ministry of Agriculture Indonesia.



Peat fires

Peat soils are prone to fires. According to Royal Golden Eagle (RGE), its companies and its supplying companies in the Indonesian pulp and paper sector experienced just over 2,000 hectares of burnt areas in the period between 2015 and June 2021. The plantation companies with the largest burnt areas were PT Sumatera Riang Lestari (located in Riau and North Sumatra; 757 hectares) and PT Riau Andalan Pulp and Paper (located in Riau; 595 hectares). Both companies have most of their area on peatlands.¹⁰⁷

The NGOs Greenpeace and Rainforest Action Network have attributed much larger burnt areas to RGE and its suppliers; in Greenpeace's case, for example, over 60,000 hectares for the period 2015-2019.¹⁰⁸ RGE has disputed these figures. According to RGE, a main difference in the figures can be explained by harvesting operations of industrial tree plantations that may look like burnt scars on satellites imagery. Another reason brought forward by RGE is that the NGO analysis has not "been ground-truthed which is a critical practice in order to identify, verify and correct remote sensing analysis". However, RGE has not published reports of such field verifications (or "ground-truthing"). Accordingly, stakeholders cannot assess the value of RGE's field verification.¹⁰⁹

‘The plantation companies with the largest burnt areas were PT Sumatera Riang Lestari and PT Riau Andalan Pulp and Paper.’

Chapter Five



RGE's secrecy jurisdictions

5.1

Examples of RGE business groups ending up in secrecy jurisdictions

Business groups under the control or under the same control as the RGE group of companies are ultimately owned by entities registered in offshore secrecy jurisdictions. Examples of such jurisdictions frequently used by RGE are the British Virgin Islands, Bermuda, Seychelles, and the Polynesian island country Samoa. All these four jurisdictions score high on financial secrecy, according to the UK-based NGO Tax Justice Network. Furthermore, at least the British Virgin Islands and Bermuda rank high in the Corporate Tax Haven Index of the NGO.¹¹⁰

Palm oil refineries

The Apical group manages RGE's downstream business of palm oil production. Four company names cover the six refineries RGE operates. Below it is shown that the refineries are ultimately held by companies registered in secrecy jurisdictions.¹¹¹



KEY

- Secrecy jurisdiction
- Companies
- Palm oil refinery names

Figure 17

RGE's palm oil refineries ending up in secrecy jurisdictions

Source

Company registry files, Apical website

Plantation companies

The RGE group holds 162,000 hectares of oil palm plantations in Indonesia (including hectares under schemes for smallholders). The oil palm plantations and accompanying mills are held by PT Inti Indosawit Subur.¹¹² RGE's concession area in Indonesia for industrial trees is much larger. APRIL's PT Riau Andalan Pulp and Paper holds 338,536 hectares, Toba Pulp Lestari holds 184,486 hectares and PT ITCI Hutani Manunggal holds 161,127 hectares. Though Toba Pulp Lestari and PT ITCI Hutani Manunggal are under the same control as RGE, RGE does not consider them to be part of RGE.¹¹³

KEY

- Secrecy jurisdiction
- Companies
- Palm oil refinery names

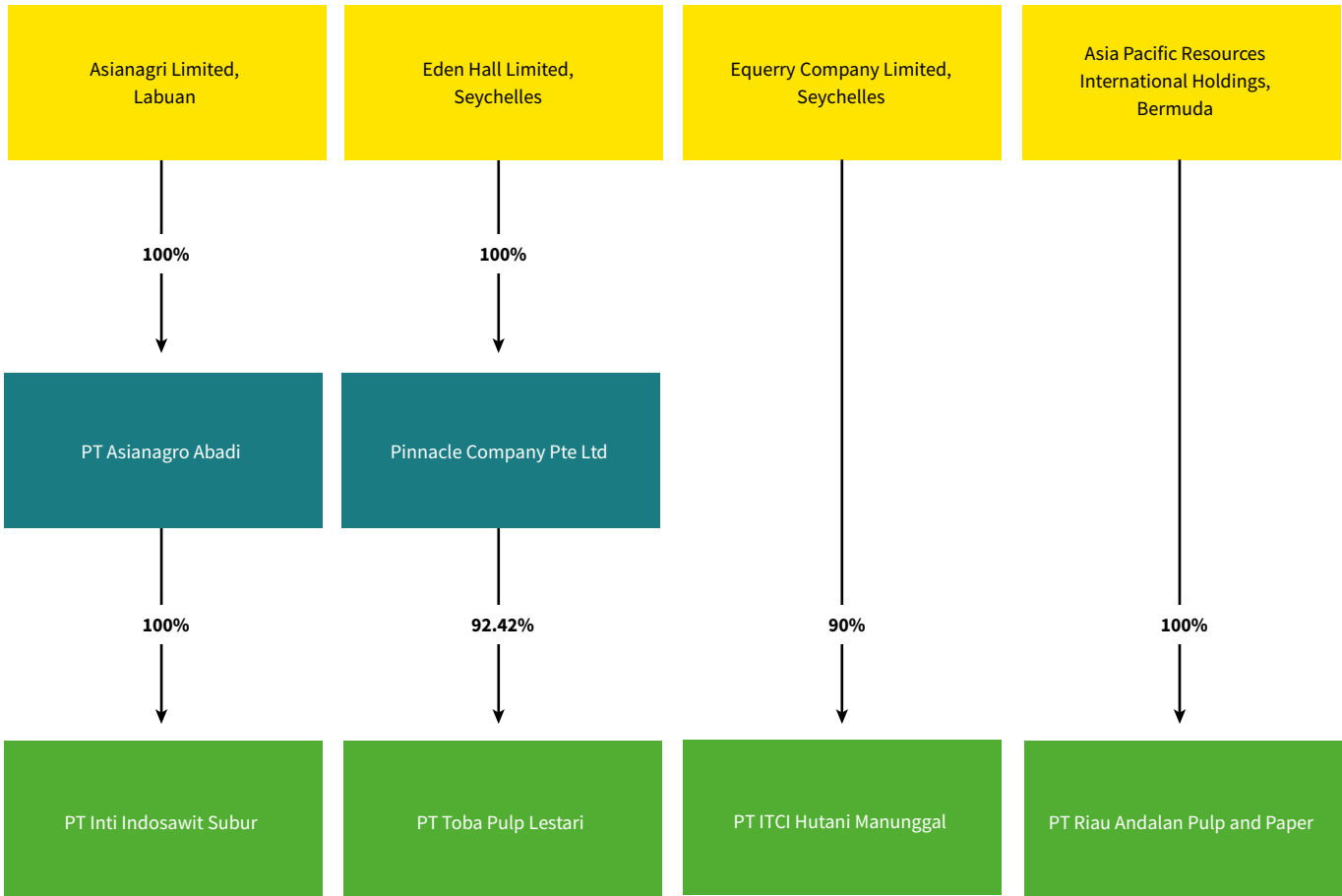


Figure 18

RGE's Indonesian plantation companies ending up in secrecy jurisdictions

Source

Company registry files

Trading companies

Most pulp and paper is sold by the APRIL's Indonesian companies PT Intiguna Primatama and PT Anugrah Kertas Utama. The foreign RGE companies buying most pulp and paper from the Indonesian companies are the April International Enterprise Pte Ltd and April Far East Malaysia Sdn Bhd.¹¹⁴



KEY




-  Secrecy jurisdiction
-  Companies
-  Palm oil refinery names

Figure 18
RGE trading companies ending up in secrecy jurisdictions

Source
Company registry files, Forum Pajak Berkeadilan et al, *The Macao Money Machine*, November 2020,



5.2

Three tax evasion and/or tax avoidance stories on RGE

Asian Agri

In December 2012, the Indonesian Supreme Court obliged RGE's palm oil group Asian Agri to pay a fine of IDR 2.5 trillion (at the time equivalent to USD 260 million). The company's former tax manager was found guilty of understating tax obligations of the company's 14 subsidiaries between 2002 and 2005, and was sentenced to two years imprisonment. After the government had frozen its assets, Asian Agri agreed to pay the fine, which amounted to two times the underpaid taxes.

Asian Agri had been using a web of shell companies based in the British Virgin Islands and other tax havens to enable tax evasion. Vast quantities of palm oil were sold to fictitious affiliates in tax havens at an

artificially low price. The palm oil was then sold at a higher price to real buyers, thus avoiding higher taxes in Indonesia. Among tax experts, this practice is called transfer pricing.

Asian Agri's tax evasion was revealed in 2006 by a whistle blower, Vincentius Amin Susanto. He was a financial controller within Asian Agri. The Indonesian media outlet Tempo published several articles on the tax evasion. In 2008, the Central Jakarta District Court found Tempo guilty of defaming Asian Agri. "The lawsuit was Asian Agri's way of silencing the media," the International Federation of Journalists said after the verdict was announced.¹¹⁵

RGE's web of offshore companies

In 2017, the International Consortium of Investigative Journalists (ICIJ) published an article about RGE's web of offshore companies. Leaked documents, later known as the Paradise Papers, were obtained in 2017 by the German newspaper Süddeutsche Zeitung and shared with the ICIJ and other media partners. The documents came from the Bermuda-based law firm Appleby and corporate services provider Estera, two businesses that operated together under the Appleby name until Estera became independent in 2016. They show how Appleby and brand-

name banks such as Credit Suisse and the Netherlands' ABN Amro helped April structure its operations. In December 2010, for instance, a group of banks led by Credit Suisse, using Appleby as counsel, arranged to lend more than USD 180 million to APRIL, according to a flow chart in Appleby's internal files. The money was destined for PEC-Tech, the Cook Islands engineering company. But it wouldn't go directly there, according to the chart. Instead, the borrower was a British Virgin Islands holding company, Gold Crest Capital, which, in turn, would lend the sum to another British Virgin Islands

company, which would send the loan to a Singapore holding company, which was "to act as a treasury and finance centre for the April group," according to Appleby emails. The Singapore holding company, Heliosity Consulting, would lend money to APRIL's Indonesian pulp-supplying unit, which would then pay PEC-Tech for a new pulp production line. The circuitous arrangement was part of a tax-driven structure designed to decrease the group's overall tax burden, a lawyer for the banks wrote in an email to Appleby.¹¹⁶

‘Instead, the borrower was a British Virgin Islands holding company, Gold Crest Capital, which, in turn, would lend the sum to another British Virgin Islands company...’

Alleged tax evasion

During 2018-2020, several media linked up in IndonesiaLeaks worked on a case involving the Indonesian plantation company and pulp producer Toba Pulp Lestari (from here: Toba Pulp). In November 2020, a large NGO-coalition released a report, called The Macao Money Machine, on this tax evasion case. Toba Pulp's pulp was exported to the marketing company DP Marketing International Limited Macao Commercial Offshore (DP Macao) and then partly to Sateri. All these three companies are under

the control or under the same control as the RGE group of companies, so they are related parties. The transactions allegedly were constructed in a manner to conceal company profits for Toba Pulp amounting to hundreds of billions of rupiah between 2007-2016. Toba Pulp however denied this, and stated that it conducts transactions "with related parties on the same conditions as is done with third parties" and that its export activities were in accordance with applicable laws and regulations.¹¹⁷



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