

# Papering over corporate control

Paper Excellence's relationship  
with Asia Pulp & Paper and  
the Sinar Mas Group

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This report is dedicated to the memory of Lafcadio Cortesi, who devoted his life to forest conservation and justice for forest communities.



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## Executive Summary

After acquiring pulp and paper giant Domtar Corporation last year, Paper Excellence became Canada's top wood pulp producer with more than double the [mill capacity](#) as the next largest competitor. Paper Excellence will become one of North America's largest pulp, paper, and lumber producers if its [proposal to acquire](#) Resolute Forest Products Limited is completed as scheduled in early 2023.

[Journalists](#) and [civil society groups](#) have pointed out that Paper Excellence is a company controlled by the Sinar Mas Group, the parent conglomerate for pulp and paper producer Asia Pulp & Paper (APP). In Indonesia, APP and its wood suppliers have converted [over 2 million hectares](#) of tropical rainforests to establish pulpwood plantations, including in areas providing critical habitat for Sumatran elephants, orangutans and tigers, according to [civil society analyses](#).

Many of APP's wood suppliers have [unresolved conflicts](#) with local and Indigenous communities over land used for industrial tree plantations. APP's plantation operations in Indonesia, which involve draining hundreds of thousands of hectares of carbon-rich peatlands, have been linked to [catastrophic fires](#) and globally significant levels of [greenhouse gas emissions](#). On the financial side, APP set an emerging markets record in 2001 for the largest corporate [debt default](#) of nearly US\$14 billion.

Paper Excellence [represents itself](#) as a Canadian company that was established in 2006. It has [denied](#) being a subsidiary of APP or Sinar Mas Group. APP similarly has [denied](#) any ownership or management relationship with Paper Excellence.

This report presents evidence that demonstrates, in the view of the authors, that Paper Excellence is, in fact, part of the same corporate group as APP and Sinar Mas. As defined by the Accountability Framework Initiative, a [corporate group](#) is a "totality of legal entities to which the company is affiliated in a relationship in which either party controls the actions or performance of the other." A nexus of factors such as family ties, overlapping management, and lobbyist filings indicate that Sinar Mas Group controls Paper Excellence. As such, Paper Excellence and APP can be considered as "sister companies" under the common control of the Sinar Mas Group. The analysis is based on a review of hundreds of pages of publicly available corporate registry documents and other official filings about entities in Canada, Indonesia, France, Brazil, Italy, Germany, the United Kingdom, the United States, Malaysia, the British Virgin Islands, and other jurisdictions.

In response to the findings of this report on the links between Paper Excellence and APP/Sinar Mas, Paper Excellence's Vice President of Corporate Communications, Graham Kissack, stated, "Paper Excellence is entirely independent of APP/Sinar Mas. Of course, it is well known that Jackson Wijaya, the ultimate owner of PE, is the son of the current leader of APP/SMG. But Jackson continues to operate PE completely independently.[. . .] There are no ownership or control links with APP/Sinar Mas or anybody else."

APP responded to the report's main findings, "Your suggestion that Paper Excellence is part of the same corporate group as Asia Pulp & Paper (APP) is not correct. There is no such company within the Asia Pulp & Paper (APP) group."

In analyzing the linkages of Paper Excellence with APP and Sinar Mas, the authors of the report emphasize that APP and Sinar Mas' respective performance and practices, either in the past or at present, may not be indicative of those of Paper Excellence and/or its affiliates. Nonetheless, this report highlights the need for stakeholders of Paper Excellence to conduct appropriate due diligence to understand the group's complex corporate structure, including its links to APP and Sinar Mas, and to assess what implications this may have in terms of corporate control and accountability. Paper Excellence's corporate structure has an extensive network of corporate entities registered in offshore jurisdictions characterized by high levels of corporate secrecy.

In response to this report's finding of Paper Excellence having an opaque corporate structure, Graham Kissack of Paper Excellence stated, "There is not, and never has been, an intention to create a corporate structure at Paper Excellence that is intended to hide anything. There are various factors to think about when building the corporate structure of a business. This is all the more relevant in the case of an international business such as that of the PE Group. These include tax, corporate finance, allocation of corporate liability, and the like."

The findings of this report have relevance for the Forest Stewardship Council (FSC), which recently adopted a [new Policy for Association](#) that recognizes corporate group affiliation based on factors of corporate control. Paper Excellence has [FSC certificates](#) for twenty pulp and/or paper mills, while APP and its subsidiaries have been [disassociated](#) from the FSC since 2007 because of "destructive forestry practices." This report should also be of interest to parties that rely on the FSC's certification program for determining the sustainability of forestry companies they source from in North America, Brazil or Indonesia. These parties include major consumers of wood pulp, paper, tissue, packaging, and lumber products sold by Paper Excellence, Domtar or Resolute.

Furthermore, this analysis may be of interest to financing institutions providing [loans](#) and/or [loan commitment letters](#) to Paper Excellence and/or Domtar – such as Barclays, Bank of Montreal, CoBank, the Royal Bank of Canada, Wells Fargo, Credit Suisse, and U.S. Bank. To fund its expansion in North America, Paper Excellence is borrowing billions of dollars from U.S. and Canadian banks, including a [half billion-dollar loan](#) from the U.S. Farm Credit System.

Indigenous, national, provincial and municipal governments may find this analysis useful in determining to what extent Paper Excellence and its affiliated companies have access to public benefits and incentives such as forestry resources, government financing, tax breaks, preferential trade access, and energy subsidies. The report may also be of interest to trade justice advocates and state representatives currently negotiating the Canada-Indonesia Comprehensive Economic Partnership Agreement (CEPA). Finally, competition authorities in Canada (Competition Bureau Canada) and the U.S. (the Federal Trade Commission's Bureau of Competition) may consider this analysis useful in assessing market concentration issues related to their respective reviews of the Resolute Forest Products acquisition by Domtar Corporation, Paper Excellence's wholly-owned subsidiary, and any future acquisitions related to Paper Excellence.