

MARUBENI CORPORATION (TYO: 8002)

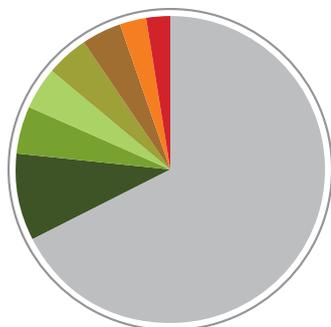


A major trading house in Japan with leading market shares in the pulp & paper trade, Marubeni is exposed to widespread social conflict through its pulp production in South Sumatra by subsidiaries PT Musi Hutan Persada (PT MHP) and PT Tanjung Enim Lestari Pulp & Paper (PT TEL), and to deforestation and illegal logging risks through its trade in rainforest-derived paper and timber products. Marubeni has no policies specific to forest-risk commodities and fails to disclose relevant supply chain ESG risks or due diligence measures.

COMPANY PROFILE & SUSTAINABILITY COMMITMENTS

CEO	Fumiya Kokubu	FOREST RISK COMMODITIES	Pulp & Paper, Timber
PARENT COMPANY	-	SUPPLY CHAIN EXPOSURE	Plantations, processing, trading, manufacturing, wholesale
MARKET CAP (USD)	11 billion USD (FT.com)	AFFECTED TROPICAL FOREST AREAS	Indonesia, Malaysia, Brazil
ANNUAL REVENUE (USD)	FY2015 6.2 billion USD (FT.com)	RELEVANT GROUP COMPANIES	PT Musi Hutan Persada (PT MHP) & PT Tanjung Enim Lestari Pulp & Paper (PT TEL); Koda Kogyo, Marusumi Paper, Fukuyama Paper (paper) (Marubeni, 2005); SMB Kenzai Co. (timber) (SMB Kenzai, 2017)
HEADQUARTERS	Japan	KNOWN BUSINESS RELATIONSHIPS	High risk suppliers: APP and APRIL (paper); Shin Yang; Ta Ann; KTS; Rimbunan Hijau (timber)
LANDBANK (HA)	Total : 296,000 ha (PT MHP, PT TEL) (MHP, 2017)		
NDPE POLICY	No		
THIRD PARTY VERIFICATION	Partial - reliance on FSC controlled wood, PEFC CoC (PT TEL, 2017), and SVLK for pulp production		
TRACEABILITY	Weak		
TRANSPARENCY	Partial - no disclosure of ESG risks, some disclosure of suppliers		

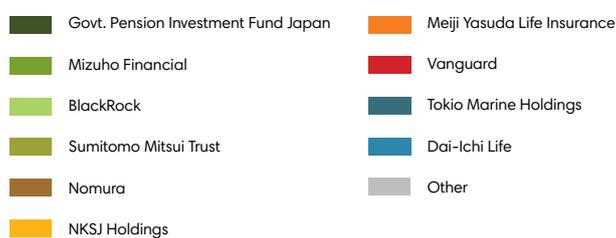
INVESTORS AND FINANCIERS



BOND AND SHAREHOLDINGS IN MARUBENI CORPORATION

226 MILLION USD

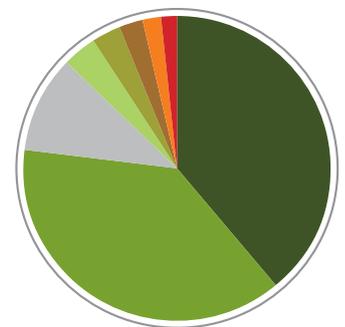
(MAY 2017, FOREST-RISK SECTOR ADJUSTED, INSTITUTIONAL INVESTORS ONLY)*



LOANS & UNDERWRITING TO MARUBENI CORPORATION

1,972 MILLION USD

(2010 - 2016, FOREST-RISK SECTOR ADJUSTED)*



ESG PERFORMANCE

HUMAN RIGHTS

- » PT MHP has a legacy of social conflict over land tenure rights and human rights violations towards local communities. As of November 2016, 26 active cases of social conflict have been recorded in the MHP concession (Walhi, 2016 & [FSC, 2014](#)).
- » PT MHP has been engaged in the forcible eviction of hundreds of Cawang Gumilir community members who have formal villagers' status within the MHP concession. PT MHP was responsible for the destruction of community members' residences and farmlands in 2015, with the help of armed forces, and again in 2016, resulting in further destruction of farmlands, houses, a primary school, water facility, and solar power generation facility ([FoE Japan, JATAN & NINDJA, 2016](#) & [CNN Indonesia, 2016](#)). Approximately 200 households lost their livelihoods and properties due to the destruction (based on village interviews in August, 2016).
- » The FSC suspended PT MHP's Controlled Wood certification in 2013 following a complaint regarding the destruction of communities' rubber plantations and garden houses in Martapura district by armed police in August 2012 ([FSC, 2017](#)). The Certificate was reinstated in 2014, but that decision is currently the subject of a formal complaint with the FSC.
- » PT TEL acquired a 1,600 ha concession to construct a pulp mill in 1995 without the Free Prior and Informed Consent of five local villages, whose protected forest was located in the concession. This resulted in a series of protests over the forced eviction of local community members and a lack of compensation measures ([Collins, 2001](#)).
- » Workers went on strike against unfair labor conditions at PT TEL's pulp mill in 2011 and 2013. Grievances included the threat of lay offs following workers' request for salary increases, refusal to make financial statements public, use of police forces to repress strikes ([Industrial Global Union, 2011](#)) and termination of contracts in violation of a valid collective agreement ([SPS PT. TEL, 2013](#)).
- » Marubeni is exposed to social conflicts and violation of land tenure rights through its trade in paper products with APRIL and APP, Indonesia's two largest pulp and paper companies. As of June 2016, APRIL had 42 land conflicts outstanding, and 84,699 ha of APRIL and supplier concessions were inactive due to unresolved conflicts ([KPMG, 2016](#); see also [APP profile](#)).
- » Marubeni's sourcing of timber from Sarawak, Malaysia exposes it to widespread land conflicts between logging companies and indigenous communities ([Human Rights Commission of Malaysia, 2013](#)). Its timber supplier Shin Yang Sdn. Bhd. has been in a 30-year conflict with the Penan communities of Sarawak, and is currently in the midst of a lawsuit for violating the community's native customary rights to their land ([Global Witness, 2015](#)).

CLIMATE AND BIODIVERSITY

- » In 2016, the PT MHP's FSC Controlled Wood certification was temporarily suspended, once again, after it converted 2,817 out of 44,099 hectares of HCV forest areas into plantations in 2016 ([FSC, 2014](#)).
- » PT TEL failed to disclose its unsustainable sourcing of wood chips from areas containing Sumatran tiger habitat between 2011 and 2013 ([Greenomics Indonesia, 2014](#)).

- » Marubeni is exposed to significant deforestation risks through its trade with APP & APRIL who have a legacy of large-scale deforestation and peat destruction, estimated to be responsible for the pulping of more than 3 million hectares of Indonesia's rainforests ([WWF, 2015](#); see also [APP profile](#)).
- » Through SMB Kenzai, Marubeni sources significant volumes of timber from Sarawak, Malaysia, which has one of the highest rates of deforestation in the world. The Norwegian Government Pension Fund divested from Marubeni supplier Ta Ann based on a finding that Ta Ann's logging operations in the Heart of Borneo, a transboundary tropical rainforest conservation initiative, posed a "risk of severe environmental damage now and in the future" ([NBIM, 2012](#)). Marubeni supplier Shin Yang has also been conducting highly destructive logging in the intact rainforests of the Heart of Borneo ([Global Witness, 2016](#) & [Global Witness, 2015](#)).

GOVERNANCE

- » Marubeni's timber purchases from Sarawak, Malaysia, have a high risk of being linked to illegal logging and corruption in the forest sector, problems which have been publicly acknowledged by the Sarawak Government ([Global Witness, 2016](#)).
- » PT MHP has a certificate for Sustainable Product Forest Management under the Indonesian Timber Legality Assurance System (SVLK). However, the SVLK certificate does not guarantee revenues associated with the company's operations are free from forestry crime ([RAN, 2015](#)).
- » PT MHP and ten other companies were sued by the Indonesian Forum for the Environment (Walhi) for RP 2 trillion in environmental damage caused by fires and smoke in 1997-98. PT MHP was found liable and ordered to implement a forest fire management system within its concession (WALHI v. PT Pakerin, Decision No. 8/Pdt.G/1998/PN.Plg). Fires have continued to occur in PT MHP's concession, burning 28,320 ha of forest in 2015 alone, equivalent to 10% of its total concession area ([HaKI et al, 2015](#)).
- » Marubeni has no sector-specific forest-commodity policies and lacks clear sustainability metrics or benchmarks for forest-risk commodities suppliers. It also has no formal procedure for local community dispute resolution or requirement on suppliers to have a dispute resolution mechanism.
- » Marubeni fails to disclose the ESG risks in its forest-risk commodity supply chains or due diligence measures taken to address such risks ([RAN, 2016](#)).

Note: for the full reference list, see the original report 'Every Investor Has A Responsibility'

