

UNOFFICIAL ENGLISH TRANSLATION

NBIM
PO Box 1179 Sentrum
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Your ref.

Our ref. 12/43- HJe

Date 23 June 2015

Regarding the Council on Ethics' recommendation to exclude IJM Corporation Berhad from the Government Pension Fund Global

We refer to the Council on Ethics' letter to NBIM of 8 June 2015.

On 19 May 2014, the Council on Ethics made a recommendation to the Ministry of Finance concerning the exclusion of IJM Corporation Berhad (IJM) and its subsidiary IJM Plantations Berhad (IJM Plantations) from the Government Pension Fund Global (GPFJ). The Council was of the opinion that there was an unacceptable risk of IJM, through its subsidiary IJM Plantations, being responsible for severe environmental damage in connection with the company's conversion of tropical forest into oil palm plantations.

In 2015, the Council has assessed whether such changes have occurred in the company's operations and conduct that the grounds for the exclusion recommendation no longer apply. The assessment has been based on publicly available information.

The four concessions referred to in the recommendation are still owned by IJM Plantations. The company does not appear to have acquired new plantation properties in Indonesia since the recommendation was made in 2014.¹

The company provides little information on its concessions. In its 2014 annual report, the company has written that it is "prudent in managing its land use and mitigates the potential impacts in high conservation areas. The conservation areas in the logged over forests gazetted for plantation include riparian reserves, wetland landscapes, marginal soil areas, hilly terrains and water bodies". The company has also stated the following: "High conservation sites within concession areas have also been identified for conservation purposes in the Group's operations in Indonesia."

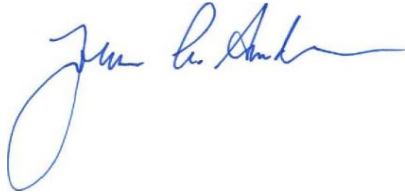
In its latest status report to the Roundtable for Sustainable Palm Oil (RSPO), IJM has stated that it has not engaged in further planting, that it has not set aside areas for conservation and that it still plans to initiate RSPO certification of its plantations in 2018.²

¹ http://www.ijm.com/web/ijmplt/ir_structure_mijmplant.aspx.

² ACOP 2013/2014 Progress Report, <http://www.rspo.org/members/11/IJM-Plantations-Berhad>.

The company appears to have begun identifying High Conservation Value areas in its concessions in Indonesia in the past year. However, it is unclear which concessions are included, how the surveys are being conducted and what conservation values have been identified. It is therefore difficult to assess the effect of the measure on the company's development of plantations. In the Council's view, no major changes appear to have occurred in the company's operations that indicate a change in the basis for the Council's earlier recommendation. The Council therefore maintains its recommendation to exclude IJM Corporation Berhad from the GPF.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Johan H. Andresen', with a large, stylized initial 'J'.

Johan H. Andresen
Chair of the Council on Ethics