

To Norges Bank

**Recommendation to exclude Halcyon Agri Corp Ltd from the Government Pension Fund Global (GPF)**

**24 October 2018**

UNOFFICIAL TRANSLATION

## Summary

The Council on Ethics recommends that Halcyon Agri Corp Ltd (Halcyon) be excluded from investment by the Government Pension Fund Global (GPF) due to an unacceptable risk that the company is responsible for serious environmental damage.

Halcyon produces specialised products made of natural rubber and owns rubber plantations and processing plants in Cameroon, the Ivory Coast and Malaysia. The company is listed on the stock exchange in Singapore. At the close of 2017, the GPF owned the equivalent of 0.1 per cent of Halcyon's shares, worth NOK 5.5 million.

The Council's assessment relates to the company's rubber plantations in Cameroon, where it is in the process of converting tropical forest into plantations. The company holds three concessions in Cameroon, covering a total of 589 km<sup>2</sup>. The North Concession is almost complete, while most of the Centre and South concessions, which cover 543 km<sup>2</sup>, are still untouched. These two concessions comprise dense rainforest and freshwater swamp forest and have a 33 km shared boundary with the Dja Faunal Reserve, a UNESCO World Heritage Site. The Council's investigations indicate that more than 48 km<sup>2</sup> of forest, of which 16 km<sup>2</sup> is forest with a particularly high conservation value (HCV), has been cleared since 30 December 2015, primarily in the Centre Concession. Although Halcyon's own assessment identified an HCV area of around 256 km<sup>2</sup>, the company has set aside only around half that amount for conservation, primarily in the South Concession. The rest is scheduled for conversion into plantations.

Halcyon's concessions lie in a region of uniquely rich biodiversity. The company's own reports show that the forest covering its concession land is home to more than 20 species on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species, including lowland gorillas, chimpanzees and forest elephants. Two of the species are critically endangered, which means there is an extremely high risk of them becoming extinct. This is not something that has been addressed in either the environmental impact or HCV assessments, and none of these reports contains any reference to the IUCN. In the Council's opinion, it seems as though important conservation issues in the concession areas have been inadequately assessed, which means that no one knows what other important species and habitats will be lost as a result of plantation development. However, the Council finds there are sufficient grounds to conclude that the company's operations will cause irreversible environmental damage, since the removal of all vegetation in the area will lead to the destruction of habitats and important biodiversity – as also described in the environmental impact assessments.

The measures that the company has implemented will almost certainly be insufficient to reduce the environmental damage caused by plantation farming. The Council attaches importance to the fact that the company has already converted areas of high conservation value and that it intends to set aside only half of the identified HCV area. There is also a risk that the areas which the company has actually set aside for the protection of endangered species are too small and fragmented to maintain viable populations of such species.

The Council on Ethics also attaches importance to the fact that UNESCO has pointed to the risk that plantation farming could damage the Dja Faunal Reserve's unique standing as a world heritage site, particularly due to the substantial influx of workers. Halcyon has not substantiated that the measures it has implemented will be sufficient to remedy this.

The Council concludes that the scale of deforestation in an area of exceptionally rich and unique biodiversity and many endangered species, as well as the risk that the operation will

harm a world heritage site, qualify as serious environmental damage. It therefore recommends that Halcyon be excluded from the GPF.

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	What the Council on Ethics has considered	1
1.2	Sources	2
<b>2</b>	<b>The Council on Ethics' findings</b>	<b>2</b>
2.1	Deforestation	3
2.2	Conversion of High Conservation Value areas	4
2.3	Loss of biodiversity	7
2.4	Impact on the Dja Faunal Reserve	8
<b>3</b>	<b>Information from the company</b>	<b>9</b>
3.1	The Council's contact with Halcyon	9
3.2	Halcyon's measures to protect biodiversity	10
<b>4</b>	<b>The Council on Ethics' assessment</b>	<b>11</b>
<b>5</b>	<b>Recommendation</b>	<b>12</b>

# 1 Introduction

The Council on Ethics has assessed the GPFG's investments in Halcyon Agri Corp Ltd (Halcyon)<sup>1</sup> against the Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global (the Ethical Guidelines).<sup>2</sup>

Halcyon produces specialised rubber products for the tyre industry as well as other industries. The Group owns rubber plantations and rubber processing facilities in Cameroon, the Ivory Coast and Malaysia, additional processing facilities in Indonesia, Thailand and China, and distribution assets in South East Asia, China, the USA and Europe.<sup>3</sup> Halcyon is listed on the Singapore stock exchange and has around 15,000 employees worldwide.

At the close of 2017, the GPFG owned the equivalent of 0.1 per cent of Halcyon's shares, worth approx. NOK 5.5 million.

## 1.1 What the Council on Ethics has considered

The Council's assessment concentrates on Halcyon's rubber plantation in Cameroon, where the company is in the process of converting tropical forests into plantations. The Council has assessed whether there is an unacceptable risk that Halcyon is thereby contributing to or responsible for severe environmental damage pursuant to section 3(c) of the Ethical Guidelines.

In previous recommendations regarding severe environmental damage,<sup>4</sup> the Council has emphasised whether:

- the damage is significant;
- the damage causes irreversible or long-term effects;
- the damage has considerable negative impact on human life and health;
- the damage is a result of violations of national laws or international norms;
- the company has failed to take steps to prevent the damage;
- the company has failed to implement adequate measures to rectify the damage;
- it is probable that the company's unacceptable practice will continue.

Commercial logging and the conversion of tropical forest into plantations is considered one of the primary causes of deforestation and loss of biodiversity. Conversion means that trees are felled and vegetation removed before the area is used for the establishment of plantations. Plantations are monocultures that have limited ecological value compared with natural forest.

When assessing environmental damage in connection with the logging and the conversion of tropical forests, the Council proceeds on the basis that tropical forests constitute some of the world's most biodiverse ecosystems. They are habitats for many endangered species, important ecosystem services such as carbon storage, water management and protection against erosion. Logging and the conversion of forests pose a severe threat to the existence of these ecosystems. Tropical forests are important for the health of the global environment, as

---

<sup>1</sup> Issuer ID 24358705

<sup>2</sup> Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global. Adopted by the Ministry of Finance on 18 December 2014: <https://bit.ly/2pNSKfc>

<sup>3</sup> Halcyon Annual Report 2017, <https://www.halcyonagri.com/publication/annual-report-2017/>

<sup>4</sup> See, for example, the Council on Ethics' recommendations regarding Ta Ann Berhad, WTK Berhad and Noble Group: [www.etikkradet.no](http://www.etikkradet.no).

illustrated by the many national and international initiatives being taken to reduce deforestation and the degradation of tropical forests. Against this backdrop, the Council on Ethics has considered the risk of severe environmental damage in connection with the conversion of tropical forest and peatlands. In its assessment, the Council has emphasised the scale of conversion, the extent to which the company's concession area overlaps with areas of important ecological value, and the consequences of conversion for threatened species and their habitats.

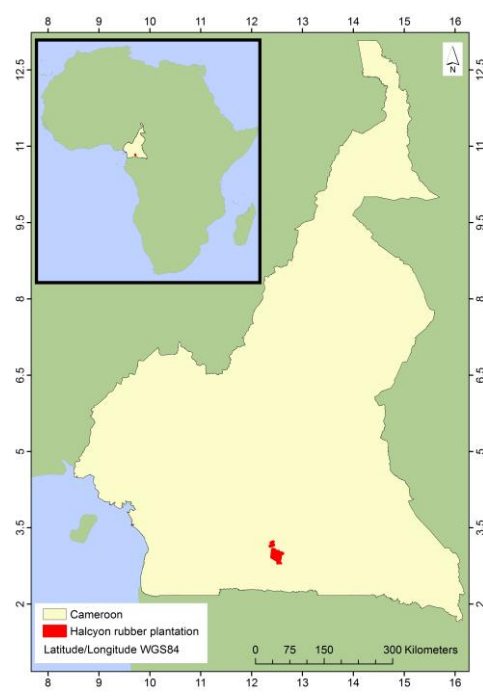
In this case, the Council has also attached importance to the fact that Halcyon's plantation borders the Dja Faunal Reserve, which is a UNESCO World Heritage Site, and the potentially negative impact plantation farming may have on the site.

Although the Council is aware that Halcyon has been accused of having acquired land and relocated indigenous peoples and local communities without having obtained their free, prior and informed consent or providing adequate compensation,<sup>5</sup> it has not assessed these allegations.

## 1.2 Sources

The assessment of the company's plantation management practices is based on information provided by Halcyon, including environmental impact assessments (EIA) and summaries of High Conservation Value (HCV) assessment reports, as well as reports prepared by UNESCO. The Council requested the full assessment report, but the company has only submitted a progress report from March 2016 and a summary from May 2016. In addition, the Council has commissioned an assessment of deforestation in Halcyon's concession areas in Cameroon between 2016 and 2018. The assessment is based on satellite imagery.

## 2 The Council on Ethics' findings



Halcyon owns a total of 1,230 km<sup>2</sup> of land in Cameroon, the Ivory Coast and Malaysia, of which 330 km<sup>2</sup> has already been converted into plantations. Its largest single landholding, the Cameroon rubber concession, extends over 589 km<sup>2</sup> and is located in the south of Cameroon. According to Halcyon, the concession is the single largest rubber plantation in the world.<sup>6</sup>

The plantation concession in Cameroon is divided into three parts: the North Concession (82 km<sup>2</sup>), the Centre Concession (370 km<sup>2</sup>) and the South Concession (137 km<sup>2</sup>), see Fig. 2.<sup>7</sup> The South Concession was added in 2015. While development of the North Concession is almost complete, most of the Centre and South con-

*Fig. 1 Location of Halcyon's concession areas (in red) in Cameroon.*

<sup>5</sup> Greenpeace Africa: Halcyon Agri's Ruinous Rubber 24 July 2018, <https://bit.ly/2OmtZAK>

<sup>6</sup> The company's website: <https://www.halcyonagri.com/what-we-do/natural-rubber-supply-chain/plantations>.

<sup>7</sup> Area figures provided by Halcyon in a letter to the Council on Ethics, 15 January 2018.

cessions remains untouched. The South and Centre concessions share an approx. 33 km long natural boundary with the Dja Faunal Reserve along the Dja river.<sup>8</sup>

The concessions are operated by two Halcyon subsidiaries: Hevecam (North Concession) and Sudcam (Centre and South concessions). In addition to clearing and preparing the site for planting, plantation development also involves the construction of an extensive road network and other infrastructure, and the establishment of a natural rubber (latex) treatment plant in the middle of the Centre Concession.

It is estimated that the plantation will have a total workforce of approx. 30,000.<sup>9</sup> In 2011, the local population numbered some 9,500 people.<sup>10</sup>

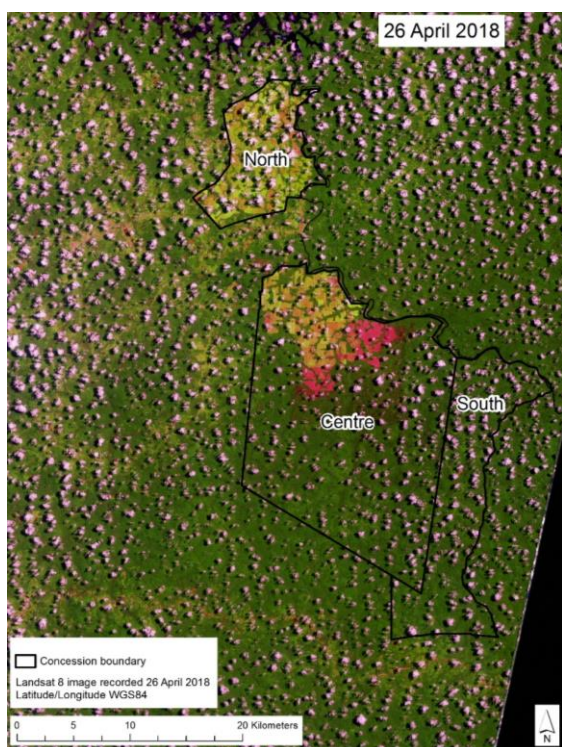


Fig. 2. Cameroon rubber plantation concession boundary. The concession is divided into three parts.

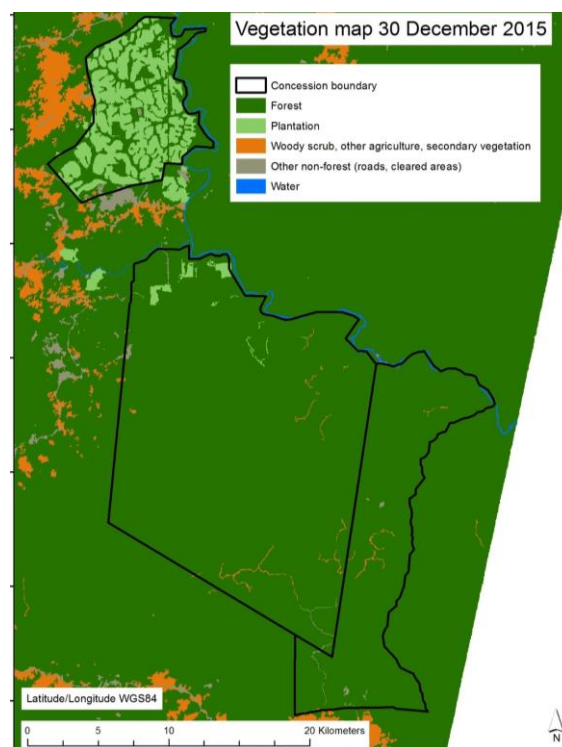


Fig. 3. Vegetation map 30 December 2015

## 2.1 Deforestation

Halcyon has informed the Council that the vegetation in the concessions is dominated by mature and young secondary forest, with little primary forest. *“The species noted in the area are pioneer*

<sup>8</sup> Enviro Consulting Sarl: High Conservation Value Assessment of the Sud Cameroun Hevea Concession, Meyomessala and Djoum Subdivisions, Dja et Lobo Division, South Region of Cameroon, Public Summary, May 2016.

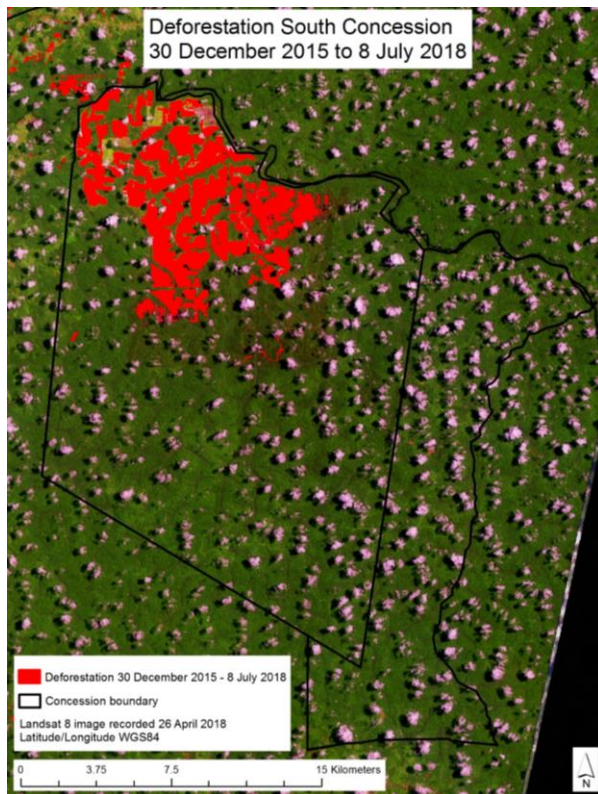
<sup>9</sup> Ministère des Forêts et de la Faune: Rapport sur l'état de conservation de la Réserve de Faune du Dja 2017; Service de la Conservation de la Réserve de Faune du Dja.

<sup>10</sup> Enviro Consulting Sarl: Etude d'impact environnemental du projet de creation d'une plantation agroindustrielle d'hevea dans le Dja Et Lobo, Region Du Sud, Janvier 2011.



*species, species that appear together with the growth of the secondary forest... What this means is that the concession is located in an area that is well degraded by other previous actions.”*

With regard to the Centre and South concessions, this description is inconsistent with information in the EIAs, the HCV assessment and satellite imagery. According to the HCV assessment report, dense rainforest covers 75.8 per cent of the concession area, and freshwater swamp forests cover 20.1 per cent.<sup>11</sup> The reports contain little information on the condition of the forest. Satellite imagery shows dense forest cover in the areas that have not yet been developed (see Fig. 3).



*Fig. 4. Area of forest cleared (coloured red) between 30 December 2015 and 8 July 2018 within the Centre concession. Pink dots are clouds.*

The Council’s findings suggest that more than 48 km<sup>2</sup> of forest has been cleared within the concession area since 30 December 2015. Most of the deforestation (95% or 46.1 km<sup>2</sup>) occurred in the Centre concession.<sup>12</sup> No deforestation was detected in the South concession. Almost all of the cleared forest (99 per cent) was replaced with rubber plantation. The remainder was mostly laid to roads and verges, as well as habitation. Some deforestation appears outside the concession boundary (see Fig. 4). Most of this clearing seems to have been caused by road construction, farming and habitation.

To the north of the Centre and South concession, Halcyon states that the company has established a buffer zone of at least 200 m between the Dja Faunal Reserve and the plantation, based on the EIA’s recommendation.

However, the EIA does not provide any scientific basis documenting that 200 m is sufficient to protect the reserve against adverse impacts of plantation operations.

## 2.2 Conversion of High Conservation Value areas

All forests are valuable from an environmental and social point of view, since they constitute habitats for wildlife, protect against erosion and represent sites of cultural importance to local communities. Where these aspects are deemed to be particularly important, a forest can be defined as a ‘High Conservation Value’ area.

<sup>11</sup> Enviro Consulting Sarl: High Conservation Value Assessment, See footnote 8, p 3.

<sup>12</sup> The date 30 December 2015 was used because this was the only sufficiently cloud-free satellite image available between December 2015 and December 2017.



Halcyon has commissioned so-called High Conservation Value (HCV) assessments of the Centre and South concessions.<sup>13</sup> The HCV method is an internationally recognised norm that is used to identify which particular environmental and social benefits should be protected and to develop management and surveillance plans to ensure that these benefits are preserved even though the forest is converted into plantations.

Halcyon's HCV assessments of the Centre and South concessions identified around 256 km<sup>2</sup> as HCV areas (see Fig. 5). There are six main HCV categories, which includes areas with high species diversity and rare or endangered ecosystems and habitats.<sup>14</sup> Areas falling within all six HCV categories were identified in the concession area. In 2015, the South Concession was reduced to 137 km<sup>2</sup>. HCV areas in the Centre Concession total 126 km<sup>2</sup> and 77 km<sup>2</sup> in the South concession.

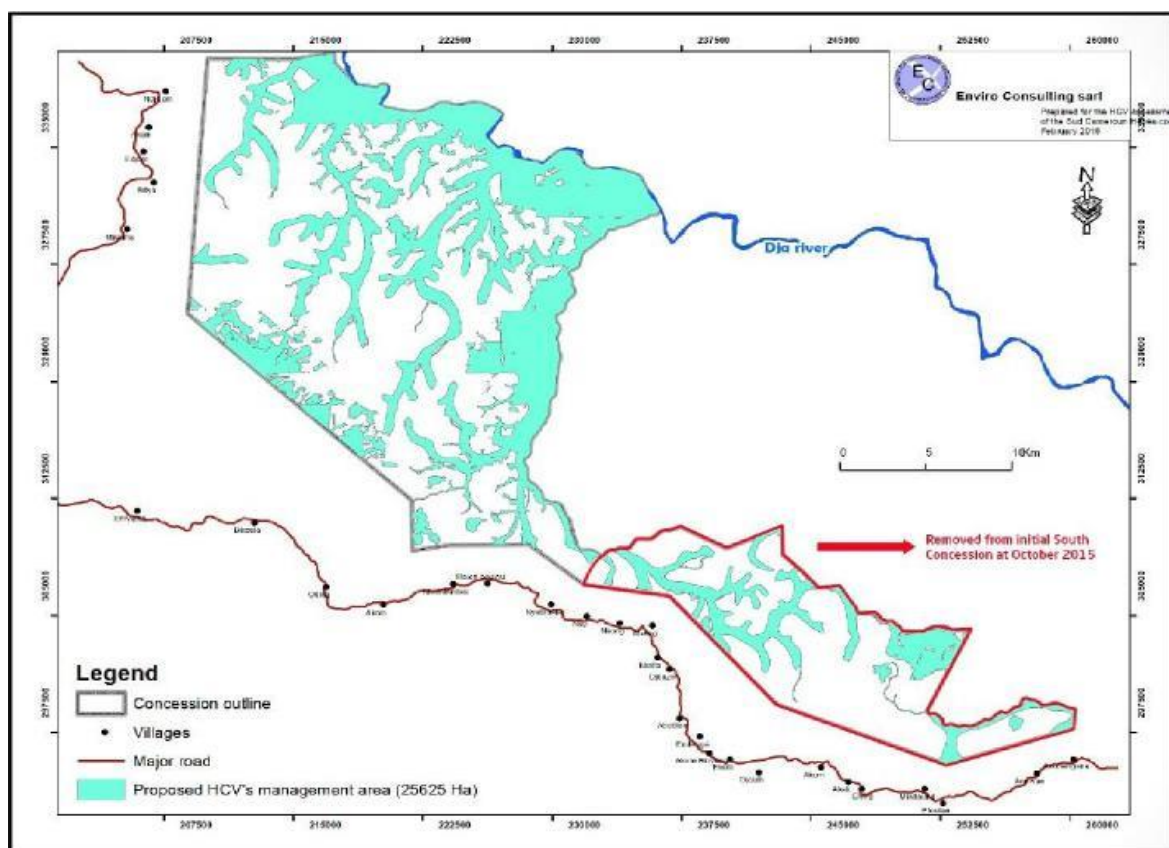
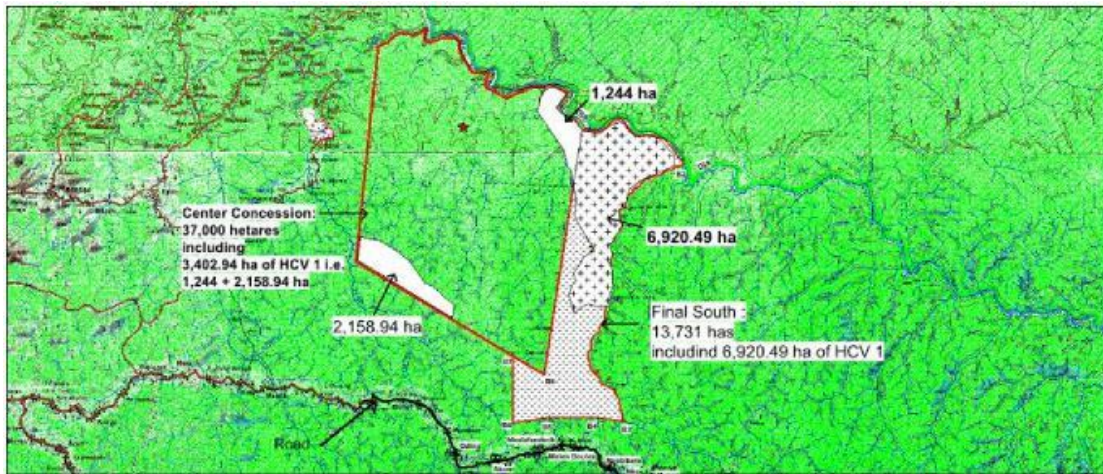


Fig. 5: Map of HCV areas (in green). In 2015, the South Concession was reduced by 153 km<sup>2</sup>, as indicated on the map.

The map below (Figure 6) shows the HCV areas that Halcyon has set aside for conservation. These areas, totalling roughly 103 km<sup>2</sup>, are mainly located in the South Concession. Only minor areas have been set aside in the Centre Concession.

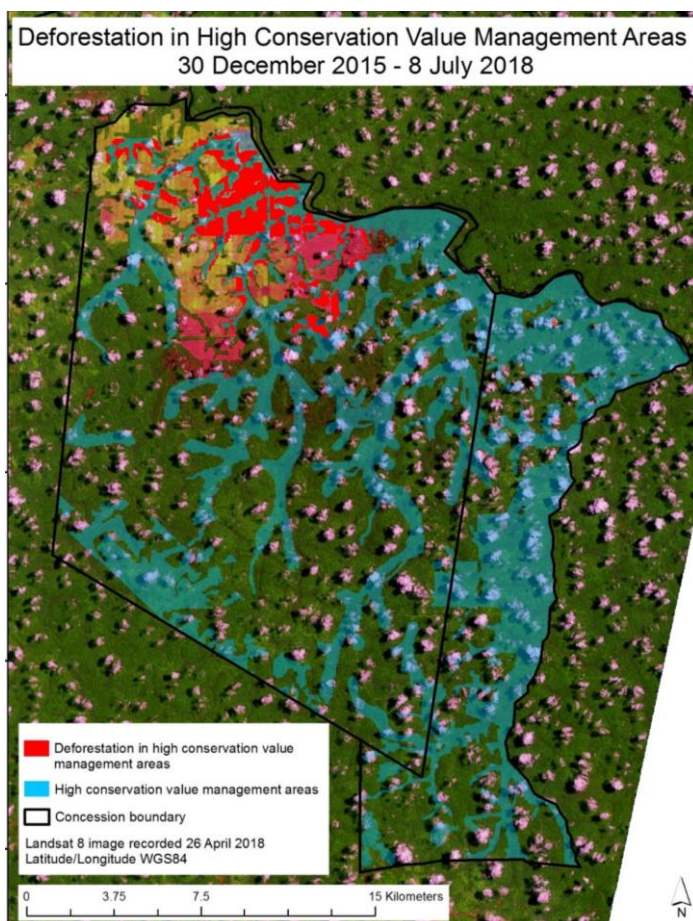
<sup>13</sup> HCV Resource Network, <https://www.hcvnetwork.org/about-hcvf>. The organisation describes itself as “a network of members, including representatives from producer companies, NGOs, research organisations and consultants, auditors and other practitioners that use or promote the HCV approach”.

<sup>14</sup> The six HCV categories are: 1. Areas with high species diversity, 2. Natural landscapes, mosaics and intact forest landscapes, 3. Rare or endangered ecosystems and habitats, 4. Environmental services, 5. Natural areas critical for community needs, 6. Areas critical for cultural values of local communities. see <https://www.hcvnetwork.org/about-hcvf>.



*Figure 6 Map showing HCV areas that Halcyon has set aside for conservation.*

Satellite imagery indicates that between 30 December 2015 and 8 July 2018, close to 16 km<sup>2</sup> of HCV forests was cleared (see Figure 7). All deforestation occurred in the Centre Concession. So far, 7.7% of the total HCV forest area has been cleared and replaced with rubber plantations.

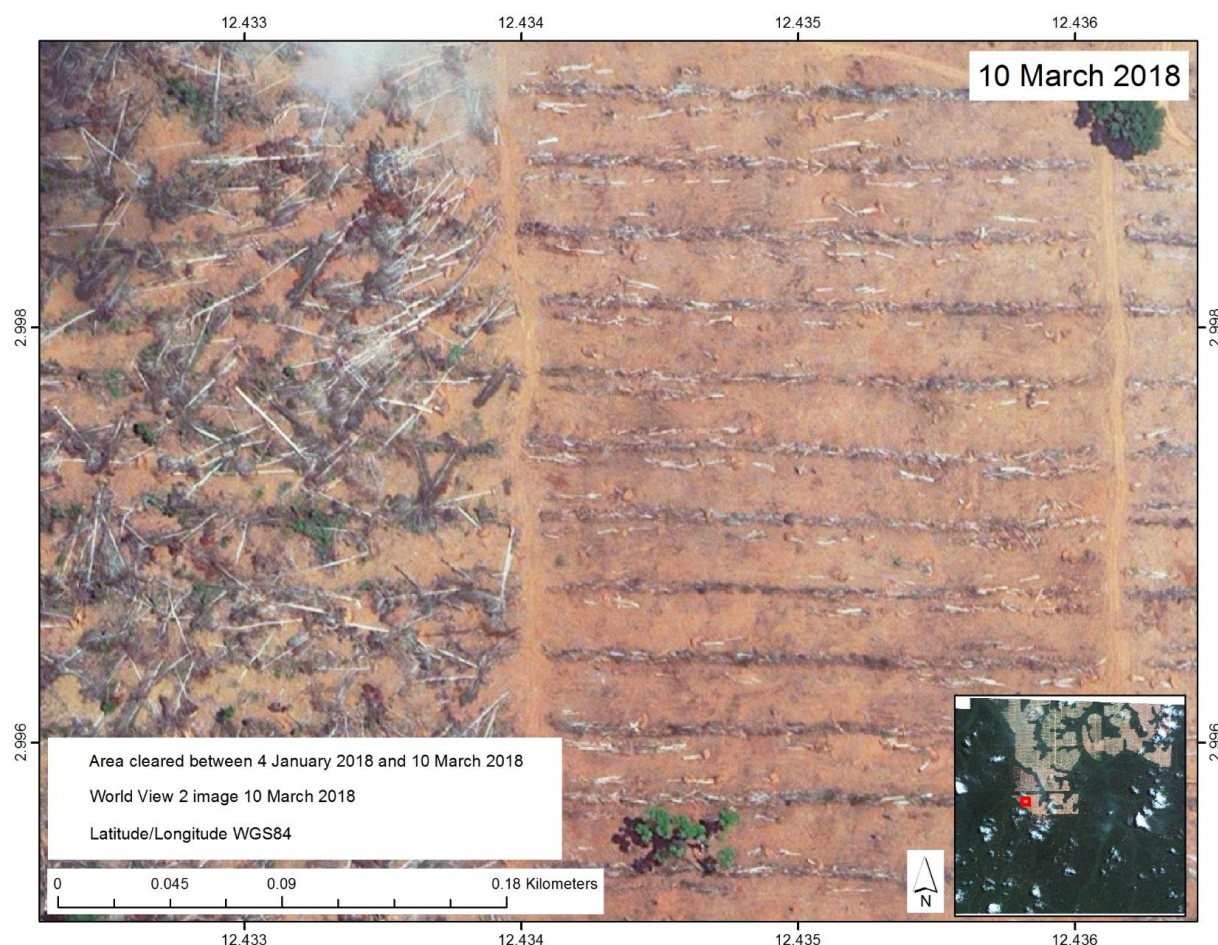


*Figure 7. HCV forest areas in the Centre and South concessions that were cleared between 30 December 2015 and 8 July 2018 are marked in red.*

Satellite images show that the site preparation includes the felling of trees, which are bulldozed into rows between the plantation lines and left to decompose naturally. The area shown in Fig. 8 was cleared between 4 January and 10 March 2018. Recently felled trees that have yet to be laid in rows can be seen on the left of the image. Previously cleared areas can



be seen on the right. Similar regular rows of tree trunks and logging debris are visible all over the area covered by the satellite image. This seems to be the company's normal way of clearing and preparing the land for planting.



*Fig. 8. An example of felled trees and logging debris piled up between plantation lines. The satellite image from 2 March 2018 shows part of the Centre Concession.*

## 2.3 Loss of biodiversity

Halcyon's concession is located within what is designated by the WWF as the Northwest Congolian Lowland Forest Ecoregion.<sup>15</sup> It is known for its biodiversity and its large number of endemic species, including core populations of western lowland gorillas and African forest elephants. The concession also falls within the Cameroon and Gabon Lowlands Endemic Bird Area.<sup>16</sup>

According to the HCV summary, Halcyon's South Concession lies in an area with a very rich and diversified wildlife, including large and medium-sized mammals. Of the 33 large and

<sup>15</sup> An eco-region is defined as a large unit of land or water containing a geographically distinct assemblage of species, natural communities, and environmental conditions as identified by the World Wide Fund for Nature (WWF), <https://www.worldwildlife.org/ecoregions/at0126>

<sup>16</sup> BirdLife International (2018) Endemic Bird Areas factsheet: Cameroon and Gabon lowlands. Downloaded from <http://www.birdlife.org> on 28 August 2018. An EBA is an area of land identified by BirdLife International as being important for habitat-based bird conservation because it contains the habitats of endemic or near-endemic species.

medium-sized mammal species recorded, ten are on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species.<sup>17</sup> One of these, the western lowland gorilla (*Gorilla gorilla gorilla*) is critically endangered. The chimpanzee (*Pan troglodytes troglodytes*) is classified as endangered, while four species are listed as vulnerable<sup>18</sup> and five as near threatened.<sup>19</sup> The HCV summary does not make any reference to the IUCN Red List. Many of the species described are completely protected in Cameroon.<sup>20</sup>

The EIA reports for the South and Central concessions confirm the presence of 360 bird species, 80 of which are migratory species mainly from Europe and Asia. The reports provide some examples of common species in the area, including the Grey Parrot (*Psittacus erithacus*), which is listed as endangered by the IUCN. The reports also provide examples of reptiles, fish, rodents and hoofed mammals found in the area.

The EIA reports list a number of tree species that are characteristic for the Central and South concession areas. Of the 37 species reported, 11 are on the IUCN Red List. This fact is not mentioned in either the EIA reports or the HCV summary. One of the species found, the Zingana tree (*Microberlinia bisulcata*), is critically endangered and the IUCN recommends protection of its habitat. Two more species are classified as endangered, including the African teak (*Pericopsis elata*), while six species are listed as vulnerable and two as near threatened.

The EIA reports conclude that commercial development of the concession area will have a significant and direct impact on biodiversity. The loss of all natural vegetation will result in the destruction of habitats for animals and plants, and will increase the risk that already endangered species may become extinct. Moreover, the opening of roads and the influx of workers will increase the pressure on wildlife resources and increase the risk of poaching in the Dja Faunal Reserve. Indeed, both the EIA and the HCV reports categorise the possible impact on the Dja as a major environmental challenge: “the proximity to the Dja Biosphere Reserve will remain a major concern for the preservation of the biodiversity in the area.”<sup>21</sup>

Mitigation measures to protect biodiversity include the demarcation and protection of HCV areas, monitoring, the deployments of guards to prevent poaching, and the delimitation and conservation of a 200 m buffer zone between the plantation and the Dja Biosphere Reserve.

## 2.4 Impact on the Dja Faunal Reserve

The Dja Faunal Reserve was named a UNESCO World Heritage Site in 1987. It is one of Africa's largest and best-preserved rainforests, and is considered to have an exceptional biodiversity. It contains more than 1,500 known plant species, nearly 350 resident bird species and over 100 types of mammals, including the chimpanzee, the western lowland gorilla, the giant pangolin and the African forest elephant. The primary forest has a richly diverse flora

---

<sup>17</sup> The IUCN Red List of Threatened Species, [www.iucnredlist.org](http://www.iucnredlist.org)

<sup>18</sup> Leopard (*Panthera pardus*), White-bellied Pangolin (*Phataginus tricuspis*), Mandrill (*Mandrillus sphinx*) and African Forest Elephant (*Loxocenta cyclotis*)

<sup>19</sup> White-bellied Duiker (*Cephalophus leucogaster*), Bay Duiker (*Cephalophus dorsalis*), Yellow-backed Duiker (*Cephalophus silvicultor*), Spot-necked Otter (*Hydricetus maculicollis*).

<sup>20</sup> Ministry of Forestry and Wildlife MINFOP: *The Wildlife Law as a Tool for Protecting Threatened Species in Cameroon*, Mars 2012, [http://www.laga-enforcement.org/Portals/0/Documents/Legal%20documents/1%C3%A9gislation%20faunique\\_Protection\\_esp%C3%A8ce\\_menac%C3%A9es-En.pdf](http://www.laga-enforcement.org/Portals/0/Documents/Legal%20documents/1%C3%A9gislation%20faunique_Protection_esp%C3%A8ce_menac%C3%A9es-En.pdf).

<sup>21</sup> Enviro Consulting Sarl: Etude d'impact environnemental et social du projet d'extension d'une plantation agroindustrielle d'hévéa dans l'arrondissement de Djoum, Région du Sud, September 2015, p 84.

and is practically untouched. From a biodiversity point of view, the reserve is one of the most important forests in Africa.<sup>22</sup>

In the report published by UNESCO and the IUCN following a visit to the Dja Faunal Reserve in 2012, the EIAs are deemed too superficial to provide an adequate basis on which to evaluate the actual biodiversity in the concession area.<sup>23</sup> The report also notes that the plantation company's management had previously disclosed orally that a 5 km wide forest area would be preserved between the plantation and the Dja, as opposed to the 200 m belt that the EIA recommends.<sup>24</sup>

The report points out that the massive influx of people to the plantation, which will employ some 30,000 people, will increase the pressure on the Dja Faunal Reserve in the form of increased depletion of fish, game and forest resources, as well as poaching of endangered species. Although these and other effects were discussed in the EIAs, the delegation considered that the recommended initiatives were insufficient to prevent, reduce and compensate for the harm done to the world heritage site.<sup>25</sup>

In the final report from its session in 2016, the World Heritage Committee expressed its concern about the threats to the uniqueness of the world heritage site as a result of two activities in particular – the development of the rubber plantation and the construction of hydropower plants. With respect to the plantation, the increase in population and its resulting pressure on the Dja Faunal Reserve were highlighted in particular. In the draft final report from its meeting in 2018, UNESCO's World Heritage Centre proposed, among other things, that "*an independent evaluation of the impact of the agro-industrial project on the property*" be carried out. Due to the pressure put on the Dja Faunal Reserve by the plantation and other activities, particularly if new projects liable to affect the world heritage site were approved, the World Heritage Centre proposed that the Dja Faunal Reserve be placed on the list of endangered world heritage sites "*in the absence of significant progress in the implementation of the above-mentioned measures*". However, the World Heritage Committee did not accept these proposals. Instead it decided to request a status report from the authorities at the start of 2019.

### 3 Information from the company

#### 3.1 The Council's contact with Halcyon

In October 2017, the Council on Ethics wrote to Halcyon to request information about its plantation operations in Cameroon and its efforts to prevent negative impacts on the Dja Faunal Reserve. Since then, the Council has communicated repeatedly with Halcyon, most recently in October 2018, after the Council had sent its draft recommendation to exclude Halcyon from the GPFG.

---

<sup>22</sup> All information on the State of Conservation of the Dja Faunal Reserve is available on UNESCO's website, <https://whc.unesco.org/en/soc/3761>.

<sup>23</sup> Leila Maziz (UNESCO Centre du Patrimoine Mondial), Yousseph Diedhiou, and Hervé Lethier (IUCN), *Rapport de mission de suivi réactif de la Réserve de Faune du Dja. République Du Cameroun. 27 février – 5 mars 2012*, <https://whc.unesco.org/en/list/407>.

<sup>24</sup> See footnote **Feil! Bokmerke er ikke definert**.<sup>23</sup>

<sup>25</sup> See footnote 23



Halcyon has provided information, including the EIA reports on the South and Central concessions, as well as a progress report and a summary of the HCV assessment report on the same areas from May 2016.

Halcyon has not commented on the contents of the Council's draft recommendation, but writes: *"We work hard to achieve the balance of providing gainful employment, good living conditions and societal needs while minimising our impact on the environment. We cannot focus on just one aspect."*

*"We remain committed to being part of the socioeconomic development in Cameroon. We are working on a plan to conduct a gap analysis of our current plantation management practices in our concessions to enhance our biodiversity conservation without compromising the needs of the community."*<sup>26</sup>

### 3.2 Halcyon's measures to protect biodiversity

In its 2017 sustainability report, Halcyon writes: *"As an organisation that is heavily reliant on biological resources, we take an active role in protecting and conserving areas rich in biodiversity. We have enforced a strict zero burning policy at our plantations area and comply with all relevant local legislation and codes. We will undertake every reasonable effort to continue to protect and preserve areas of high conservation value and biodiversity concentration, placing it as one of our long-term targets."*<sup>27</sup>

Halcyon works to ensure *"a balance between economic profitability and the need to protect the environment as well as our obligation as an employer to ensure social equity."*<sup>28</sup> The company says that it is committed to carrying out a comprehensive environment and social impact assessment (ESIA) every five years, and that the next update of the ESIA is expected to be ready in the third quarter of 2018. Halcyon has confirmed that forest clearance will not be halted during the ESIA process.<sup>29</sup>

The HCV assessment was carried out *"in order to ensure that all the existing critical values are identified and attributed effective management and monitoring measures."*<sup>30</sup> Halcyon confirms that Sudcam is responsible for managing and monitoring the HCV areas in order to preserve their integrity. The company states that the study led to an area of 10,3 km<sup>2</sup> being set aside for the conservation of endangered species, (as shown previously in Figure 6), but that it is difficult for the company to set aside more because the individual HCV areas are dotted across a wide expanse.

*"As we plant, we also bio-monitor the area to assess if there are specific areas that could be defined as HCV. This is necessary even if an area has not been defined as HCV, as wildlife species are not static at any certain point, and defined areas could change."* Halcyon adds that it has *"in place monitoring measures to address key threats to areas identified as HCV. These include working closely with the local communities, implementing bio-monitoring*

---

<sup>26</sup> Halcyon's letter to the Council on Ethics, 4 October 2018.

<sup>27</sup> Halcyon Agri Sustainability Report 2017-2018 *Halcyon is Rubber*, p. 37, [https://www.halcyonagri.com/wp-content/uploads/2018/10/Halcyon\\_Sustainability\\_ReportWEB\\_FA-Secured.pdf](https://www.halcyonagri.com/wp-content/uploads/2018/10/Halcyon_Sustainability_ReportWEB_FA-Secured.pdf)

<sup>28</sup> Halcyon's letter to the Council, 30 October 2017.

<sup>29</sup> Conference call with Halcyon, 18 April 2018.

<sup>30</sup> Enviro Consulting Sarl: High Conservation Value Assessment of the Sud Cameroun Hevea Concession, Meyomessala and Djoum Subdivisions, Dja et Lobo Division, South Region of Cameroon, Public Summary, May 2016, p.1.



*measures of human activities and wildlife populations, anti-poaching patrols, staff training and management involvement, amongst other indicators.”*<sup>31</sup>

Halcyon concedes that there are no government requirements as to how wide the buffer zone along the Dja River should be: *“It is not clearly defined by any regulation, and we took the initiative to keep it at a minimum of 100-200 metres.”* Furthermore, it points out that the Dja River is a natural buffer zone with respect to the world heritage site. Halcyon also emphasises its partnership with the Dja Faunal Reserve, and that the company has security guards patrolling the area to prevent unauthorised entry into the reserve. The company states that it is committed to safeguarding the value of the reserve, and that it *“can certainly extend the buffer zone if it is necessary”*.<sup>32</sup>

Halcyon underlines the fact that it is a rubber company and does not conduct industrial logging in the concession. The valuable timber is extracted by other companies before the area is cleared and planted. *“The extraction of commercial timber is the privilege of the state (i.e. the Ministry of Forestry) as per the state’s legal requirements, and we have no say in it. However, we ensure that practical measures are implemented to mitigate the environmental consequences of the extensive logging operations that preceded the development of our concessions.”*<sup>33</sup>

## **4 The Council on Ethics’ assessment**

On the basis of the available information, the Council has assessed whether there is an unacceptable risk that Halcyon, through its establishment of plantations in Cameroon, is responsible for severe environmental damage.

Halcyon’s concession in Cameroon lies within the Northwest Congolian Lowland Forest Ecoregion, which is known for its exceptionally rich and unique biodiversity. While the conversion of forests in Halcyon’s North Concession is almost complete, the development of the South and Central concessions, which extend over an area of 543 km<sup>2</sup>, is still in its early stages. The latter two concessions are covered by dense rainforest and freshwater swamp forest, and share a 33 km long boundary with the Dja Faunal Reserve, which has been designated a UNESCO World Heritage Site.

The Council on Ethics finds that the South and Central concessions are covered by dense secondary rainforest and swamp forest. The area is home to forest elephants, several primate species, such as gorillas and chimpanzees, birds, reptiles and other animals, as well as a large number of plant species. As such, the concession area is characterised by the same biodiversity as the neighbouring Dja Faunal Reserve. Forest clearance and plantation development is ongoing. According to the Council’s investigations, Halcyon has cleared around 48 km<sup>2</sup> of tropical forest, almost all in the Centre Concession, in the period between December 2016 and July 2018. Although the company has set aside areas for conservation, the Council deems the planned plantation development, which will result in the removal of large areas of natural vegetation, to be extensive.

The company’s own EIAs show that the forest covering the concession area forms the habitat of more than 20 species on the IUCN’s Red List of Threatened Species. The Council has noted that two of the species found in the concession area are critically endangered, which means

---

<sup>31</sup> Halcyon’s letter to the Council on Ethics, 29 March 2018.

<sup>32</sup> Halcyon’s letter to the Council on Ethics, 29 March 2018.

<sup>33</sup> See footnote 31.

there is a very high risk of them becoming extinct. The Council finds it astonishing that this fact has not been addressed in either the EIA or HCV assessment reports, and that none of these reports contains any reference to the IUCN. The Council also notes that only mammals and not other species of flora and fauna are described in the HCV summary. The Council finds it probable that important aspects of the concession area with a high conservation value have not been adequately evaluated, which means that no one knows which other HCVs will be lost as a result of conversion to plantation farming. For the Council, however, there are sufficient grounds to conclude that the operation will lead to irreversible environmental damage, since removal of all vegetation within the area will cause the destruction of habitats and important biodiversity, as described in the environmental impact assessments.

In this case, the Council on Ethics considers it unlikely that the measures taken by the company will be sufficient to reduce the scale of the environmental damage caused by plantation planting. Conservation and management of areas of high conservation value constitute, in principle, the most important measure to reduce the environmental damage caused by the establishment of plantations. The Council attaches importance to the fact that the company has already converted HCV areas for plantation use, and that it is planning to set aside only half of the areas identified as having high conservation value. There is also a risk that the areas the company has actually set aside for the protection of endangered species will be too small and fragmented to maintain viable populations of such species. The Council has noted that the company is planning to carry out further environment impact assessments. The value of such assessments is nevertheless limited as long as plantation development is not halted until the assessment results are available.

The Council attaches importance to the fact that UNESCO has pointed out that the plantation could harm the Dja Faunal Reserve's unique qualities as a world heritage site, particularly due to the large influx of workers. An expected workforce numbering approx. 30,000 people will put considerable pressure on the area's forest and wildlife resources, and will increase the risk of poaching in the Dja Faunal Reserve. It does not seem as though the company has made any assessment of how such a huge influx of people should be handled in order to prevent this. Nor has Halcyon substantiated that the measures it has implemented will be sufficient to remedy the consequences. For example, it has not been documented that the 200 m buffer zone which the company has established between the plantation and the Dja Faunal Reserve is wide enough to protect the world heritage site.

The Council therefore concludes that the scale of deforestation and the fact that conversion to plantation use will lead to irreversible changes in the ecosystems contained within an area of exceptionally rich biodiversity and in which many endangered species live, qualifies as serious environmental damage. The Council has, moreover, attached importance to the risk that the company's operations will cause harm to the neighbouring world heritage site. The Council therefore recommends that Halcyon be excluded from investment by the Government Pension Fund Global (GPF).

## **5 Recommendation**

The Council on Ethics recommends that Halcyon Agri Corp Ltd be excluded from investment by the Government Pension Fund Global (GPF) due to an unacceptable risk that the company is responsible for serious environmental damage.

\*\*\*

Johan H. Andresen  
Chair  
(sign.)

Hans Chr. Bugge  
(sign.)

Cecilie Hellestveit  
(sign.)

Trude Myklebust  
(sign.)

Brit K. S. Rugland  
(sign.)