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Observation report 2020

On the basis of the Council on Ethics' recommendation of 23 June 2015, Norges Bank decided on 13 October 2015 to place PT Astra International Tbk (Astra) under observation due to the risk that the company, through its subsidiary PT Astra Agro Lestari Tbk (AAL), is responsible for serious environmental damage.

AAL operates oil palm plantations in Sumatra, Kalimantan and Sulawesi in Indonesia. The company's concessions cover a total area of 21,730 km². The Council has observed the company's implementation of its strategy for sustainable plantation operation, with particular emphasis on whether the measures implemented by the company are sufficient to preserve biodiversity and areas of high conservation value within its concessions.

After receiving a letter from the Rainforest Foundation Norway (RFN) in December 2018, the Council has raised the situation in which groups belonging to the indigenous Orang Rimba people find themselves. These people live in or around the plantation owned by AAL's subsidiary PT SAL in Sumatra's Jambi Province. The company has long been in conflict with these groups, who have lost their land and livelihoods as a result of the plantations' development. In its 2018 observation report, the Council did not take a position on the conflict, but stated that, in its view, the company should resolve the problem in order to avoid contributing to human rights abuses.

The Council's assessment is based on AAL's own reports for 2019 and the first half of 2020, published on the company's website, as well as direct communication with the company. Several meetings have been held with Astra and AAL in 2019 and 2020, and members of the Council's secretariat met with representatives of AAL and PT SAL in Sumatra in 2019. Further meetings have been held with representatives of the Rainforest Foundation Norway. AAL has also submitted comments on a draft copy of the observation report.

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Background

AAL's sustainability strategy rests on three principles:

- No deforestation
- No conversion of peatlands
- Respect for human rights

AAL has worked in accordance with a three-year sustainability plan (2018–2020), which describes measures to prevent deforestation and the conversion of peatlands, and to respect human rights both in its own operations and those of its suppliers. The company states that it has engaged an external consultant to evaluate the implementation of its action plan. This evaluation, which is scheduled for completion in June 2021, will also include recommendations for the company's further activities in the following five-year period.

Deforestation and biodiversity

According to the action plan, AAL will not develop new areas within its concessions. Based on the information available to the Council, no deforestation has occurred within the company's concessions during the observation period.

As described in previous observation reports, AAL is in the process of reassessing areas of high conservation value (HCV) in its plantations. The assessment will be performed in accordance with the internationally accepted HCV standard. AAL states that this reassessment is underway at eight plantations. The assessment in one concession has already been completed. AAL further states that the reassessment of all its plantations will be completed by 2025. Concessions with remaining forest will be given priority. The natural habitats that still exist in the plantations will be managed and monitored with the aim of protecting their endangered or endemic species. The company has identified such species in its plantations and has published information on this on its website and in its sustainability report. AAL involves local communities in its efforts to preserve these uncultivated areas. The company further discloses that in plantations with little remaining forest area, efforts are underway to restore vegetation in riparian buffer zones.

The company says that the zero deforestation policy also applies to smallholders and other company suppliers. As mentioned in previous observation reports, AAL identifies suppliers where there is a risk of deforestation and loss of biodiversity, and provides training for smallholders and suppliers to increase their expertise and understanding of the company's sustainability policy. The company is in the process of establishing tracing systems in its supply chain to reduce the risk of buying oil palm fruit and palm oil that can be linked to deforestation.

AAL has 32 mills where palm oil is extracted from oil palm fruit, half of which comes from the company's own plantations. The rest is purchased from just over 64,000 smallholders, around 14,000 of whom are linked to AAL's plantations. The company further discloses that 34,000 smallholders are documented and traceable.¹

AAL also has three palm oil refineries. AAL states that 100 suppliers (82 external) deliver crude palm oil to the company's refineries. 46 of the external suppliers have tracing systems in place for half the smallholders who supply oil palm fruit. Since 2018, AAL has said that it will

¹ <https://www.astra-agro.co.id/wp-content/uploads/2020/09/Sustainability-progress-report-Q2-2020.pdf> and <https://www.astra-agro.co.id/wp-content/uploads/2020/11/Traceability-Jan-Sep-2020.pdf>

publish a list of its direct suppliers. On the company's website, the three largest suppliers have been named. A list of all suppliers is available but requires registration on the AAL's website.

Fires

AAL has a *zero burn policy*, which is intended to reduce the risk of fires in its concessions. What the company is doing to prevent fires has been described in previous observation reports. The company states that no fires were recorded in its concessions in 2019 or in 2020 to date. However, the company writes that fires have been recorded in local communities surrounding some of the concessions. AAL reports that efforts have been initiated to identify areas that may be particularly at risk of fire. In collaboration with smallholders, local communities and local authorities, the company has established initiatives and procedures to prevent fires and enable any fires that do occur to be quickly discovered and put out. In the first quarter of 2020, such programmes were established in the provinces Riau, South Kalimantan and East Kalimantan.

Peatlands

According to AAL, no new peatlands were opened up in its concessions in 2019 or in 2020 to date. AAL has previously reported that it was working to improve the peatland management methods that have been established in its concessions. This work has continued in 2020, and the company is now in the process of developing a standard for sustainable peat management.

Indigenous peoples' rights

In its communications and meetings with the company, the Council has raised the plight of the indigenous Orang Rimba people. In November 2019, members of the Council's secretariat visited PT SAL in Sumatra and some of the areas inhabited by the Orang Rimba. After the visit, the Council has requested an update on the company's plans to improve the situation for the approx. 200 households living in the plantation of its subsidiary PT SAL, but who have no livelihood. These Orang Rimba groups are semi-nomadic and live in extreme poverty. They have little food, no sanitation, no houses and a high rate of ill-health. For several years, the company has provided food aid, health services and offers of schooling and education to improve these families' living conditions. The company discloses that the Covid-19 pandemic has limited opportunities for contact and dialogue with the groups, who have at times withdrawn into the neighbouring national park. According to AAL, it has nevertheless been possible to seek them out and continue to provide food aid, offer health services and provide instruction in infection prevention measures.

The RFN has informed the Council that the groups are now in a precarious situation. Hunting of game is normally a source of income for the Orang Rimba, however, the demand for game has dropped during the pandemic, significantly affecting the groups' livelihood. Therefore, the groups have increasingly turned to gathering fallen oil palm fruits as a source of income, which has resulted in conflicts with PT SAL and local growers. The Council is aware that AAL prohibits the collection of fallen fruit.

The current aim of PT SAL's engagement is to ensure indigenous groups have areas and places where they can make a living. AAL states that in March 2019 PT SAL concluded an agreement with local communities for the lease of land that Orang Rimba groups could use in the short term. The company says that the groups used this area for six months before moving on to other locations. AAL has informed the Council that consultations are ongoing with families who still remain in the plantation.

AAL also reports the establishment of the so-called Orang Rimba Social Development Partnership Forum, whose purpose is "*communication, coordination, and synergy of institutions that have the similar commitments, main duties and functions, as well as*

responsibility for implementing social development with the aim of improving the welfare and independence of the Orang Rimba.” PT SAL is a member of the forum, which also includes representatives from local authorities, the national park’s administration and one of the indigenous groups. The forum’s role is to coordinate the support given to the Orang Rimba by the forum’s members.

AAL writes that in 2019 the authorities regulated an area of the national park for the use of 13 Orang Rimba groups who live in and around the national park. At the request of one of the groups, PT SAL has helped to build bridges to facilitate the transport of crops and forest products to local markets. AAL writes that consultations are required to identify the needs of the other groups and how to meet them.

PT SAL has signed an agreement with the regional government “*regarding social development of Orang Rimba covering the aspects of living space, housing, and access to services.*” According to AAL, the agreement formalises a collaboration between the authorities and the company which includes free access to education and healthcare, and provision of identification cards which gives proof of citizenship and citizenship rights. PT SAL has also agreed a collaboration with the national park’s administration, which is intended to help the Orang Rimba develop business opportunities and provide their children with access to education.

Transparency

Throughout the observation period, the Council has raised the issue of transparency and the manner in which the company reports its activities in the area of biodiversity. AAL’s reports now contain more information and are slightly more detailed than in previous years. This applies to both its sustainability report and the progress reports on the company’s sustainability initiatives that are published on its website. The company has also published some information about eight of its concessions, where areas deemed to be of high conservation value (HCV) have been set aside for conservation purposes. This includes the type of habitat and the number of species that have been identified, with a specification of the percentage designated as endangered, and a map pinpointing the conservation areas.² The company still does not provide any insight into its HCV assessments.

The company’s comments regarding the observation report

AAL has commented particularly on the Orang Rimba’s gathering of fallen fruit which, according to the company, raises complex issues. Although theft is forbidden, this practice can lead to undesirable confrontations between the company’s security guards and indigenous people because it is difficult to distinguish between actual theft and the gathering of fallen fruit. Furthermore, it will be necessary to regulate the amount of fallen fruit that may be gathered. If the company is to allow such fruit gathering, it could attract other groups to the area. This “*may set off a chain reaction in which Orang Rimba groups from other areas and even people from other local communities may seek to receive the same privileges thus resulting in increased security concerns. Therefore, we have been working to seek an alternative to the Orang Rimba collecting loose fruits via our program as opposed to officially allowing them to do so with examples being the provision of their basic needs/foods and programs to fulfill other needs and skills.*”

According to AAL, it is perfectly willing to meet the indigenous group’s needs through its company programmes, including the provision of training for jobs at the plantation and employment with PT SAL. “*Today, there are some members of Orang Rimba who work for the*

² <https://www.astra-agro.co.id/en/conservation-areas/>

Company in various occupations including as teachers, security personnel, and project assistants. We also have assisted 329 adults in obtaining identity cards.”

The Council’s assessment

AAL does not seem to have opened up any new areas of peatland or forest in its concessions since the moratorium went into effect in 2015. The number of fires has also fallen significantly.

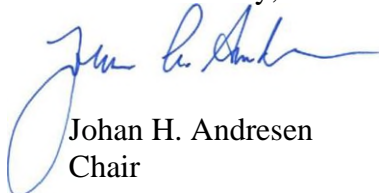
In its previous observation report, the Council noted that the company seemed to be working systematically to maintain and restore areas of high conservation value (HCV) in the concessions it has developed. The Council has not changed its opinion on this. Based on the company’s own reports, it also seems as though AAL is now beginning to put in place a system to reduce the risk of deforestation in its supply chain. The Council further notes that the company has set out a schedule for the assessment of HCVs in its concessions, and that this work will be completed in 2025. The Council presumes that the company will report its progress with respect to this schedule going forward.

The Council is pleased that the company is now publishing more information about its efforts to preserve biodiversity, both in its own operations and at its suppliers. Nevertheless, the Council still considers that the disclosure of more specific details on how HCVs are being protected in the individual concessions would strengthen the credibility of AAL’s efforts to operate its plantations more sustainably.

As mentioned, the Council has previously raised the issue of the Orang Rimba people in its dialogue with the company, which has for many years implemented wide-ranging measures to alleviate the privation experienced by this group. The Council notes that PT SAL is participating in several new initiatives that could contribute to positive developments. However, these efforts have been made difficult by the current pandemic. It remains to be seen whether these measures will bring lasting improvements that safeguard the Orang Rimba’s living space and livelihood. Although the Council realises that government authorities and other actors are also responsible for finding solutions, it considers that PT SAL has a key role to play in this process if it is to avoid contributing to the infringement of their rights.

Based on the information available to it, the Council considers that the systems and initiatives that the company has implemented during the four years in which it has been under observation seem to have lessened the risk of serious environmental harm. The company is working to improve the situation for the Orang Rimba people, which remains difficult. To enable its follow-up of the company’s further efforts in this matter and assess the results thereof, the Council considers that the period of observation should be extended by a year.

Yours sincerely,



Johan H. Andresen
Chair