

To Norges Bank

22.02.2022

Recommendation to revoke the exclusion of IJM Corp Bhd from investment by the Norwegian Government Pension Fund Global

1 Introduction

The Council on Ethics recommends that the exclusion of IJM Corp Bhd (IJM)¹ from investment by the Norwegian Government Pension Fund Global (GPF) be revoked.

The Council recommended that IJM be excluded in 2014 due to an unacceptable risk that the company through its conversion of tropical forest into oil palm plantations was responsible for serious environmental damage.²

In 2021, the company sold its plantation business to another company and is therefore no longer involved in the development and operation of plantations. The Council therefore considers that the grounds for exclusion no longer exist.

1.1 Matters considered by the Council

Pursuant to section 5(7) of the Guidelines for Observation and Exclusion from the Government Pension Fund Global, the Council may, on the basis of new information received, recommend that Norges Bank revoke a decision to place a company under observation or exclude it from investment.

2 Background

In 2014, the Council on Ethics issued a recommendation to the Norwegian Ministry of Finance that IJM be excluded from investment by the GPF. New guidelines for observation and exclusion from the GPF came into force on 1 January 2015. From this date, decisions regarding exclusion from the GPF were to be taken by Norges Bank. The Council updated its previous recommendation and, in a letter dated 23 June 2015, maintained its advice to Norges Bank that IJM should be excluded from the GPF. Norges Bank's decision was published on 17 August 2015.

The Council assessed four concessions that IJM's subsidiary, IJM Plantations, was in the process of developing in East Kalimantan, Indonesia. The concession areas covered a total of approx. 350 km² in an ecoregion known for its rich biodiversity and large number of endemic and endangered species. The Council's investigations indicated that the company had converted around 100 km² of lowland rainforest into oil palm plantations in the period 2008 to 2012, and that the conversion was still ongoing. The Council gave weight to the fact that the company had not provided any information and there were no indications that it had neither identified areas of high conservation value in its concessions nor implemented measures to reduce the loss of biodiversity. The Council concluded that there was an unacceptable risk of serious environmental damage being caused by IJM's plantation operations.

¹ Issuer ID: 125571

² The recommendation may be accessed on the Council on Ethics' website: <https://etikkradet.no/ijm-corp-bhd-5/>

3 Information from the company

In January 2022, IJM informed the Council on Ethics that it had sold its shareholding (56.2 per cent) in IJM Plantations in September 2021. According to the company's website, the subsidiary was sold to the Malayan company Kuala Lumpur Kepong Bhd.³

4 The Council's assessment

The Council acknowledges that IJM has divested its plantation business. There are therefore no longer any grounds to maintain the company's exclusion from the GPFPG.

5 Recommendation

The Council on Ethics recommends that the exclusion of IJM Corp Bhd from investment by the Government Pension Fund Global (GPFPG) be revoked.

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³ Press release published by IJM on 11 June 2021: IJM to divest entire stake in IJM Plantations for RM 1.53 billion, <https://www.ijm.com/press-releases/ijm-to-divest-entire-stake-in-ijm-plantations-for-rm153-billion> and press release from Kuala Lumpur Kepong Bhd, published 6 September 2021: Kuala Lumpur Kepong Berhad completes acquisition of IJM Plantations Berhad <https://www.klk.com.my/wp-content/uploads/2021/10/2021-09-06-PR-IJMP.pdf>