

**To Norges Bank**

12 May 2023

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation to exclude  
Jardine Matheson Holdings Ltd, Jardine Cycle &  
Carriage Ltd, and PT Astra International Tbk  
from investment by the  
Norwegian Government Pension Fund**

**and to discontinue observation of PT Astra  
International Tbk**

## Summary

The Council on Ethics recommends that PT Astra International Tbk (Astra) and the parent companies Jardine Cycle & Carriage Ltd (JC&C) and Jardine Matheson Holdings Ltd (Jardines) be excluded from investment by the Norwegian Government Pension Fund Global (GPF) due to an unacceptable risk that they are contributing to or are themselves responsible for serious environmental damage. The Council's recommendation rests on an assessment of the Martabe Gold Mine in Sumatra, which is located within the habitat of the critically endangered Tapanuli orangutan and other endangered species.

Astra has been under observation since October 2015 due to the development of oil palm plantations in Indonesia by one of its subsidiaries, PT Astra Agro Lestari Tbk, and consequent risk of deforestation and loss of biodiversity. The Council recommends that observation pursuant to this issue be discontinued, irrespective of the decision to exclude Astra on the grounds of its involvement in the Martabe Gold Mine.

The recommendation is divided into two parts. The first explains the reasoning for the Council's recommendation to exclude the above-mentioned companies. The second relates to the Council's recommendation to discontinue observation of Astra.

### *Recommendation to exclude*

The Council takes the view that parent companies which have a controlling influence over their subsidiaries' business operations are accountable for the actions of those subsidiaries. Jardines is the parent company of JC&C, which is Astra's controlling shareholder. Astra is the majority shareholder of PT United Tractors (United Tractors), which, via wholly owned subsidiaries, owns 95 per cent of the mining company PT Agincourt Resources (PTAR) that operates the Martabe Gold Mine.

Astra is listed on the Indonesia Stock Exchange (IDX), Jardines is listed on the London Stock Exchange (LSE), while JC&C is listed on the Singapore Exchange (SGX). At the close of 2022, the GPF owned 0.19 per cent of the shares in Astra, worth USD 28.4 million. At the same time, the GPF owned 1.14 per cent of the shares in Jardines, worth USD 168.5 million, and 0.47 per cent of the shares in JC&C, worth USD 39.2 386 million.

The Martabe Gold Mine lies within the confines of the Tapanuli orangutan's habitat in the Batang Toru Forest in North Sumatra. The Tapanuli orangutan is the most critically endangered of all the great apes. There are fewer than 800

individuals left in this forest, which constitutes the species sole remaining habitat. As such, the survival of the species depends on the preservation of this habitat. The area has been designated a Key Biodiversity Area due to its exceptionally rich biodiversity, including many endemic and endangered species.

PTAR has operated the Martabe Gold Mine since 2012. It plans to expand the mining area, and the search for new gold deposits further inside the orangutan's habitat is currently underway. PTAR has told the Council about a number of studies, initiatives and measures to protect biodiversity, including the establishment of a panel of experts to advise on future conservation work and biodiversity offsets. The Council has been unable to assess these measures, due to government restrictions on access to the studies.

For the Council, the decisive factor is that the Tapanuli orangutan is a critically endangered species and that any further reduction in the size of its habitat would, according to many experts, worsen its situation and increase the risk of it becoming extinct. The company's efforts to preserve these orangutans does not to any great degree seem to be limiting the mine's expansion or prospecting deeper into the orangutans' habitat. The Council attaches importance to the fact that the company is planning to significantly increase the mining area during the mine's lifetime, that new deposits will be exploited if commercially viable, and that the Indonesian authorities have granted permission for mining operations in an area that is as yet undeveloped. The Council considers that, as long as PTAR's activities result in a reduction in the size of the orangutan's habitat, the risk of the companies contributing to serious environmental damage will remain unacceptable.

#### *Recommendation to discontinue observation*

The Council considers that there is no longer an unacceptable risk of serious environmental damage relating to the development and operation of oil palm plantations by Astra's subsidiary PT Astra Agro Lestari Tbk (AAL). The Council therefore recommends that observation of Astra be discontinued. AAL operates oil palm plantations in Sumatra, Kalimantan and Sulawesi through 43 subsidiaries.

The Council has submitted observation reports to Norges Bank in 2018, 2019 and 2020.

The Council's observation of Astra and AAL has focused particularly on how AAL conserves and manages biodiversity and areas of high conservation value (HCV) in its concessions. During the observation period, AAL has not opened up any new areas of peat or forest, and has undertaken to preserve High Carbon Stock

(HCS) forests, peat and HCVs. The company's sustainability strategy, which rests on a policy of zero deforestation, no conversion of peatlands and respect for human rights, has been operationalised through three-year action plans. AAL has introduced systems to prevent forest fires, preserve peatland and avoid deforestation in its supply chain.

During the observation period, the Council has also raised the impact of the company's operations on the Orang-Rimba people – a semi-nomadic Indigenous people who live in extreme poverty at the margins of the plantation concession operated by one of AAL's subsidiaries. For several years, AAL has assisted with food aid, health services and the provision of schooling and educational services to improve the families' living standards. In the last few years, AAL has also initiated processes to improve the more long-term outlook for the Indigenous groups. Although the Council understands that the public authorities and other actors are responsible for finding solutions, it considers that AAL still has an important role to play in these endeavours to safeguard the Orang-Rimba's living areas and livelihoods.

The Council is aware of reports of conflict between local communities and three of AAL's subsidiaries, but has not investigated these in further detail. However, the Council presumes that AAL's new sustainability action plan will underpin intensified efforts to protect biodiversity and strengthen AAL's endeavours in the area of human rights and conflict resolution.

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# 1 Introduction

The Council on Ethics for the Norwegian Government Pension Fund Global (GPFG) has assessed the Fund's investments in the companies PT Astra International Tbk (Astra),<sup>1</sup> Jardine Cycle & Carriage Ltd (JC&C)<sup>2</sup> and Jardine Matheson Holdings Ltd (Jardines)<sup>3</sup> against the Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global (the ethical guidelines).<sup>4</sup>

Astra is an Indonesian group of companies that engage in the property sector, the production and sale of vehicles and construction machinery, mining, the operation of oil palm plantations and palm oil production.<sup>5</sup> The Astra Group has 270 subsidiaries and almost 200,000 employees in Indonesia.

Jardines is a holding company with a 76 per cent shareholding in JC&C, which in turn owns 50.1 per cent of the shares in Astra.<sup>6</sup> Astra has a 59.5 per cent shareholding in PT United Tractors (United Tractors), which, through wholly owned subsidiaries, own 95 per cent of the mining company PT Agincourt Resources (PTAR). PTAR operates the Martabe Gold Mine in North Sumatra.

At the close of 2022, the GPFG owned 0.19 per cent of Astra's shares, worth USD 28.4 million. The GPFG owned NOK 1.14 per cent of the shares in Jardines, worth USD 168.5 million, and 0.47 per cent of the shares in JC&C, worth USD 39.2 million.

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<sup>1</sup> Issuer Id 117241

<sup>2</sup> Issuer Id 117407

<sup>3</sup> Issuer Id 116423

<sup>4</sup> Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global, [https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/2022.09.05\\_gpfg\\_guidelines\\_observation\\_exclusion.pdf](https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/2022.09.05_gpfg_guidelines_observation_exclusion.pdf)

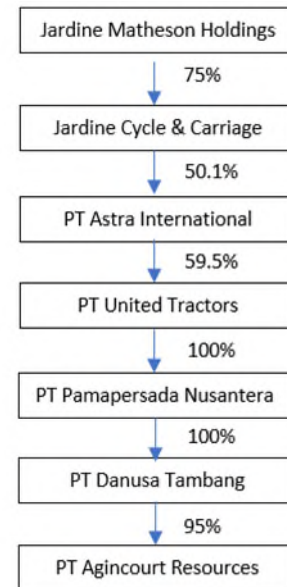
<sup>5</sup> Astra's website, <https://www.astra.co.id/>

<sup>6</sup> Jardine's website, <https://www.jardines.com/en>

Astra is listed on the Indonesia Stock Exchange (IDX), Jardines is listed on the London Stock Exchange (LSE), while JC&C is listed on the Singapore Exchange (SGX).

This recommendation is divided into two parts. The first part explains the Council's assessment of the risk of important biodiversity being lost in connection with Astra's ownership interest in the Martabe Gold Mine in Sumatra. The mine is located inside the habitat of the critically endangered Tapanuli orangutan and other endangered species.

The second part relates to the Council's observation of Astra, which commenced in October 2015. Astra was placed under observation pursuant to the ethical guidelines' environment criterion due to the development of oil palm plantations in Indonesia by one of its subsidiaries, PT Astra Agro Lestari Tbk (AAL), and consequent risk of deforestation and loss of biodiversity.



*Fig. 1 The Jardines corporate structure, showing shareholdings in subsidiaries*

## 2 The Martabe Gold Mine

### 2.1 Matters assessed by the Council

The Council has assessed the risk that Astra, JC&C and Jardines are contributing to or are themselves responsible for serious environmental damage, pursuant to section 4(e) of the ethical guidelines. In keeping with previous recommendations, the Council takes the view that parent companies which have a controlling influence over their subsidiaries' business operations are accountable for the actions of those subsidiaries.

In particular, the Council has assessed the risk that the expansion of the Martabe Gold Mine in North Sumatra, Indonesia, is contributing to the loss of critically endangered species. This applies especially to the threat to the critically endangered Tapanuli orangutan, as well as other critically endangered species.

When assessing serious environmental damage, the Council normally attaches importance to whether the damage is substantial, results in irreversible or long-term impacts, is the result of the violation of national legislation or international norms, and what the company has done to prevent or remedy the damage.

Furthermore, the Council assesses the risk of the company's practices continuing in the future.

According to reports published by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) on the state of the natural world, around 25 per cent of all assessed species are endangered. The disappearance of species will accelerate without action to stop this development.<sup>7</sup> Loss of habitat is the biggest threat to the survival of species.

In this recommendation, the Council rests on the 2022 Kunming-Montreal Global Biodiversity Framework, which sets out internationally agreed commitments for the preservation of biodiversity.<sup>8</sup> The Council attaches particular weight to the Biodiversity Framework's goals to stop the human-caused extinction of species already known to be endangered<sup>9</sup> and reduce the loss of important ecosystems and areas of the natural environment to almost zero by 2030.<sup>10</sup> In addition, the Council attaches importance to the Biodiversity Framework's expectations that business and financial institutions will contribute to a reduction in the loss of nature. It is, for example, expected that international companies monitor, assess and share information on their exposure to nature risk and make this information openly available so that nature risk and adverse impacts may be reduced.<sup>11</sup> The public authorities are expected to facilitate this.

When assessing the company's actions, the Council has found guidance in the the International Finance Corporation's (IFC) Performance Standard on Biodiversity.<sup>12</sup> The World Bank's Environmental and Social Standards contain similar principles and guidelines.<sup>13</sup>

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<sup>7</sup> IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, <https://doi.org/10.5281/zenodo.3553579>.

<sup>8</sup> UN Convention on Biological Diversity (CBD), <https://www.cbd.int/convention/> and the Kunming-Montreal Global Biodiversity Framework, CBD/COP/15/L.25 18 December 2022, <https://www.cbd.int/doc/c/e6d3/cd1d/daf663719a03902a9b116c34/cop-15-l-25-en.pdf>

<sup>9</sup> Kunming-Montreal Global Biodiversity Framework, Goal A.

<sup>10</sup> Kunming-Montreal Global Biodiversity Framework, Goal 1.

<sup>11</sup> Kunming-Montreal Global Biodiversity Framework, Goal 15.

<sup>12</sup> IFC Performance Standards,

[https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

<sup>13</sup> The World Bank, Environmental and Social Standards, <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards>



## *IFC Performance Standard on Biodiversity*

The IFC's Environmental and Social Performance Standards are internationally recognised norms for how companies should handle environmental and social risks relating to their operations. The IFC Standard on Biodiversity (PS6) provides guidelines for how companies can handle and mitigate their operations' adverse impacts on biodiversity and ecosystem services. PS6 contains specific guidelines relating to primates and establishes that areas in which great apes live will most probably qualify as so-called critical habitats. The standard further states that *"Where great apes may potentially occur, [...] the IUCN Species Survival Commission (SSC) Primate Specialist Group (PSG) Section on Great Apes (SGA) must be consulted as early as possible to assist in the determination of the occurrence of great apes in the project's area of influence."* According to the guidance in the standard, projects in such areas will *"be acceptable only in exceptional circumstances, and individuals from the IUCN SSC PSG SGA must be involved in the development of any mitigation strategy."*

Since 2006, the IFC standard has provided clear guidelines for what companies must do when operating in critical habitats. For example, projects in critical habitats must not harm the natural values on which the area's definition as a critical habitat rests. They must not lead to a net reduction in the global population of a critically endangered or endangered species over time, and a robust, systematic and long-term programme of biodiversity monitoring and assessment must be integrated into the company's environment management system.<sup>14</sup>

### **2.1.1 Sources**

This recommendation is based on information that Astra, Jardines and PTAR have shared with the Council on Ethics, as well as publicly available information such as environmental impact assessments and academic articles. In connection with this case, the Council has also been in contact with environmental organisations and researchers.

## **2.2 Background**

### **2.2.1 The Martabe Gold Mine in brief**

United Tractors acquired PT Agincourt Resources (PTAR) and the Martabe Gold Mine in 2018. Martabe is PTAR's only mine and employs more than 3,000 people. The entire mining concession (Contract of Work) covers an area of 1,303 km<sup>2</sup>, while the area currently in operation covers 5.1 km<sup>2</sup>. Martabe is an open-cast

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<sup>14</sup> IFC PS6 and Apes, <https://www.arrctaskforce.org/ifc-ps6-and-apes>

mine and has an annual production capacity of approx. 7 million tonnes of ore, 5.7 tonnes of gold (200,000 ounces) and 28–56 tonnes of silver (1–2 million ounces).<sup>15</sup>

PTAR has developed and operated the mine under various owners since 2006. Production commenced in 2012.<sup>16</sup> The mine is expected to be productive for a further 11 years.<sup>17</sup>



Fig. 2: Approximate location of the Martabe mine in Sumatra (on the left) and an aerial view of the mine and associated infrastructure (on the right).<sup>18</sup>

## 2.2.2 Tapanuli orangutan's habitat

Orangutans are tree-dwelling great apes. The genus comprises three subspecies that are found only in Sumatra and Borneo. The Tapanuli orangutan (*Pongo tapanuliensis*) was described as a separate subspecies, i.e. different to the Sumatra orangutan (*Pongo abelii*), in 2017.<sup>19</sup> The IUCN has classified all

<sup>15</sup> PTAR's website, <https://agincourtresources.com>

<sup>16</sup> PTAR's website, <https://agincourtresources.com/milestones/>

<sup>17</sup> PTAR Annual Report 2022, <https://agincourtresources.com/wp-content/uploads/2023/05/Layout-AR-Agincourt-2022-0205.pdf> p. 65.

<sup>18</sup> Pictures from PTAR Sustainability Report 2017, <https://agincourtresources.com/wp-content/uploads/2022/10/PTAR-sustainability-report-2017.pdf>

<sup>19</sup> Until that time, scientists believed that there were two subspecies of orangutan: the Sumatra orangutan (*Pongo abelii*) and the Borneo orangutan (*Pongo pygmaeus*). Physical and genetic data have since documented that there is an isolated population of orangutans in the Batang Toru Forest, which constitutes a separate subspecies. See, for example, Anderson, N., New Great Ape Species Found on Sumatra: Tapanuli Orangutan (*Pongo tapanuliensis*), Science News, 2 November 2017, <http://www.sci-news.com/biology/tapanuli-orangutan-pongo-tapanuliensis-05388.html>

orangutan species as critically endangered. The Sumatra orangutan was described as critically endangered as far back as 2003.

The Tapanuli orangutan population comprises scarcely 800 individual animals divided into three groups. Their only habitat is the Batang Toru Forest in North Sumatra, an area of some 1,100 km<sup>2</sup>. Orangutans have a long lifespan and a low rate of reproduction. Even a low rate of mortality caused by external factors (in this case, just a few individuals per year), could therefore threaten the maintenance and survival of the population as a whole.<sup>20</sup> The population density is relatively low, with each orangutan requiring a large territory. Several studies point out that the species' population density has been affected by human activity.<sup>21</sup>

Experts have argued that the orangutans' entire remaining habitat should be strictly protected.<sup>22</sup> The species' range has been reduced by more than 95 per cent in the past 130 years. The remaining area is small, fragmented and poorly protected. The orangutans' habitat is divided into three tranches, each containing a population group. In 2016, the western tranche was estimated to contain fewer than 600 individuals, the eastern tranche around 150 individuals, while the third tranche to the south was home to a few dozen individuals.<sup>23</sup> The mine is located at the southern end of the western sector (Fig. 3 and Fig. 4).

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<sup>20</sup> Wich S.A., Fredriksson G., Usher G., Kühl H.S., Nowak, M.G., 2019, The Tapanuli orangutan: Status, threats, and steps for improved conservation. *Conservation Science and Practice*. Vol 1, Issue 6/e33. <https://doi.org/10.1111/csp2.33>.

<sup>21</sup> Husson, Simon J. Wich, S., Marshall, A.J., Dennis, R.D., Ancrenaz, M., Brasseur, R., Gumal, M., Hearn, A.J., Meijaards, E. Simorangkir, T., Singleton, I., 2008, Orangutan distribution, density, abundance and impacts of disturbance', in Serge A. Wich and others (eds), *Orangutans: Geographic Variation in Behavioral Ecology and Conservation* (Oxford, 2008; online edition, Oxford Academic, 1 May 2009), <https://doi.org/10.1093/acprof:oso/9780199213276.003.0006>

<sup>22</sup> See, for example, footnote 20 and Nasution, A., Perwitasari-Farajallah, d., Utami-Atmoko, S.S., 2020, The distribution and density of Tapanuli orangutans (*Pongo tapanuliensis*) at potential corridor locations between forest fragments in Batang Toru, North Sumatra, Indonesia, *Biodiversitas*, Vol 21, No.11, Ps. 5382-5388, DOI: 10.13057/biodiv/d211144, og Sloan, S., Supriatna, J., Campbell, M.J., Alamgir, M., Laurance, W.F., 2018, Newly discovered orangutan species requires urgent habitat protection, *Current Biology*, Volume 28, Issue 11, Pages R650-R651, ISSN 0960-9822, <https://doi.org/10.1016/j.cub.2018.04.082>.

<sup>23</sup> Wich S.A., Fredriksson G., Usher G., Kühl H.S., Nowak, M.G., 2019, The Tapanuli orangutan: Status, threats, and steps for improved conservation. *Conservation Science and Practice*. Vol 1, Issue 6/e33,



*Fig. 3: The Tapanuli orangutan's habitat in the Batang Toru Forest (in yellow). The habitat is divided into three tranches, to the west, east and southeast. The mine lies at the southeast corner of the largest tranche, marked with an arrow.<sup>24</sup>*



*Fig. 4: Section of the figure above showing the overlap between the orangutans' habitat and the mining area.*

## 2.3 Environmental impact

The Batang Toru Forest has been designated a Key Biodiversity Area (KBA) because it is the Tapanuli orangutan's sole habitat.<sup>25</sup> The Batang Toru Forest is known for a diversity of ecosystems and its unique flora and fauna. Large parts

<sup>24</sup> Fig. 3 and Fig. 4 are from Nowak, M.G., Rianti, P., Wich, S.A., Meijaard, E. & Fredriksson, G. 2017. *Pongo tapanuliensis*. The IUCN Red List of Threatened Species 2017: e.T120588639A120588662. <https://dx.doi.org/10.2305/IUCN.UK.2017-3.RLTS.T120588639A120588662.en>, 11 May 2023.

<sup>25</sup> Key Biodiversity Areas (KBAs) are areas containing the habitats of species that are critically endangered worldwide. The Batang Toru Forest qualifies as a KBA because: "The Critically Endangered Tapanuli orangutan (*Pongo tapanuliensis*) is unique to this area and found ONLY in this KBA with more than 95% (actual 99.3%) of its range with the KBA." Key Biodiversity Areas factsheet: Batang Toru. From The World Database of Key Biodiversity Areas, <https://www.keybiodiversityareas.org/site/factsheet/23070>

of the area are covered in tropical primary forest, including lowland rainforest. In addition to the orangutans, the forest is home to several critically endangered and endangered species, such as the pangolin (*Manis javanica*), the helmeted hornbill (*Rhinoplax vigil*) and the Sumatran tiger (*Panthera tigris*). More than 300 bird species have been registered to date.<sup>26</sup> Although around 85 per cent of the Batang Toru Forest has protected status, several key areas remain unprotected.<sup>27</sup>

An environmental survey of the Martabe project that was performed in 2003, when another company owned the prospecting rights. This survey showed that 15 globally endangered species and more than 60 species that were near threatened (largely birds, but also some primates), were to be found in or near the project area. Eleven plant species new to science were discovered in connection with the survey.<sup>28</sup>

A material portion of the survey report described and assessed the project's impact on the orangutan population. The presence of orangutans was documented in the area where the mine was to be developed (the project area). Among the report's conclusions was that there was a significant correlation between the intensity of trial drilling and a decline in orangutan density. The study noted that even though the company took steps to minimise the prospecting activity's disturbance of the forest, the effect on the orangutan population was "*considered significant enough to have forced at least temporary relocation of some orangutans, resulting in a lower number of orangutans in the Martabe Project area at present.*" Furthermore, "*the drilling activities in combination with other human activities in the area, have thus far resulted in reductions in orangutan density in the [Martabe Project Area].*"<sup>29</sup> The report concluded that mining operations would have an adverse impact on the orangutans and other endangered species in the project area, and that future mining operations would

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<sup>26</sup> Fredriksson G.M. and G.Usher, 2017. Towards Sustainable Management of the Batang Toru Ecosystem (translated from Edisi III dari "Menuju Pengelolaan Lestari Ekosistem Batang Toru), published by Yayasan Ekosistem Lestari, [https://www.sumatranorangutan.org/content/uploads/2017/11/Batang-Toru-Ecosystem\\_portfolio\\_Oct-17\\_English.pdf](https://www.sumatranorangutan.org/content/uploads/2017/11/Batang-Toru-Ecosystem_portfolio_Oct-17_English.pdf), og Wich S.A., Fredriksson G., Usher G., Kühl H.S., Nowak, M.G., 2019, The Tapanuli orangutan: Status, threats, and steps for improved conservation. *Conservation Science and Practice*. Vol 1, Issue 6/e33.

<sup>27</sup> Nowak, M.G., Rianti, P., Wich, S.A., Meijaard, E. & Fredriksson, G. 2017. *Pongo tapanuliensis*. *The IUCN Red List of Threatened Species*.

<sup>28</sup> PT Hatfindo Prima, 2003. Baseline Terrestrial Ecology Survey of the Martabe Project Area, North Sumatra Province, Indonesia, p. 67. This survey was conducted at the behest of PT Newmont Horas Nauli, which owned the mine.

<sup>29</sup> See footnote 28, p. 31.

accelerate habitat loss. It also stated that it was necessary to implement measures to prevent farming, plantation operation and illegal hunting having an adverse impact on the population.

In January 2022, the mine extended over an area of just over 5 km<sup>2</sup> (509 hectares), which before its establishment was covered in forest. In the past two years, forest has been removed to stabilise slopes and implement measures to deal with heavy-metal runoff. So far, only limited areas of forest on the edge of the orangutan's habitat have been removed. In 2023, around 1.2 km<sup>2</sup> (120 hectares) of forest will be cleared in connection with the construction of a new tailings management facility. During the mine's productive life, the area covered will almost double to 9.2 km<sup>2</sup> (918 hectares). Since the KBA's borders were adjusted in early 2023, the mining area now overlaps the KBA.<sup>30</sup>

The mining area lies in that portion of the orangutan's habitat with the largest orangutan population (the western tranche – see Fig. 3). It is here that the probability of the species' long-term survival is highest. Further forest clearance could undermine the viability of this population because the habitat has already been significantly reduced in size and because the population is so critically small.<sup>31</sup> The IUCN's assessments of the population's viability show that *"an annual offtake of more than 1% of the adult population in suboptimal habitats would drive any population of this slowly reproducing great ape to extinction."*<sup>32</sup>

In 2021, PTAR commissioned a new study of how mining activity is impacting the orangutan population (Orangutan Impact Assessment Study). Due to restrictions imposed by the Indonesian authorities, PTAR has been unable to share the study's findings with the Council. At a meeting, however, it confirmed that *"Orangutans may use part of the mine seasonally for nesting and foraging."* According to PTAR, the orangutan population density in the mining area is low. The study was carried out by the Biodiversity Advisory Panel (BAP), which PTAR established in 2019. The BAP comprises four independent Indonesian experts on orangutans and the Batan Toru Forest's ecosystem.

### *Prospecting*

The terms of the Contract of Work require PTAR to engage in prospecting activity to find commercially viable deposits within the concession area. Each year, the company must submit a plan for this work to the Indonesian authorities. Successful prospecting programmes have contributed to PTAR's growth, and the

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<sup>30</sup> Letter from Jardines to the Council on Ethics, dated 15 January 2023.

<sup>31</sup> Wich, S., & Meijaard, E. (2021). Saving the Tapanuli orangutan requires zero losses. *Oryx*, 55(1), 10-11. doi:10.1017/S0030605320001052.

<sup>32</sup> See footnote 31.

company is *“committed to continuing our investment in the Exploration Programme with the main objective of identifying additional resources and reserves.”*<sup>33</sup>

In 2021, prospecting was carried out *“in the Martabe District over the Purnama, Tor Uluala, Tor Uluala West, Horas and Uluala Hulu deposits.”* In the company’s 2022 annual report, PTAR disclosed that trial drilling had been carried out in several of the same areas.<sup>34</sup> The company has stated that *“PTAR did not carry out exploration activities in the northern part of the mine in 2022. Exploration resources was redeployed to carry out exploration in other parts of the CoW area, away from the Batang Toru Key Biodiversity Area.”*<sup>35</sup>

In the prospecting programme for 2023, the majority of trial drilling activities are planned in areas north of the mine, further inside the KBA and the orangutans’ habitat. The company has disclosed that drilling is scheduled in 50 locations, but that each individual location will be as small as 25x25 m. No roads or other infrastructure will be built. This means that in total around 3 hectares of forest will be removed, principally primary forest. The prospecting activity will take around six months.<sup>36</sup> A presentation by PTAR in 2017 shows approximately where the prospecting activity is taking place.<sup>37</sup>

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<sup>33</sup> PTAR Annual Report 2022

<sup>34</sup> PTAR Annual Reports 2021 and 2022, <https://agincourtresources.com/annual-reports/>  
*“The drilling programme was conducted in the Tor Uluala, Purnama, Ramba Joring and Horas deposits in the Martabe District.”*

<sup>35</sup> Letter from Astra/PTAR to the Council on Ethics, dated 26 January 2023.

<sup>36</sup> Letter from Astra/PTAR to the Council on Ethics, dated 26 January 2023.

<sup>37</sup> PTAR 2017, PTAR’s Martabe Gold Mine. Developing a sustainable business in Indonesia. Presentation at PwC School of Mines, 23<sup>rd</sup> November 2017, Singapore, <https://www.pwc.com/id/en/energy-utilities-mining/assets/mining/school-of-mines-2017/Plenary-2-view-from-the-top.pdf>

## Martabe Overview

World Class Gold District



- ❑ Six known deposits within a 5km x 6km area with Purnama the largest so far
- ❑ Part of a large-scale mineralised district which has the potential to host further gold and gold-copper deposits

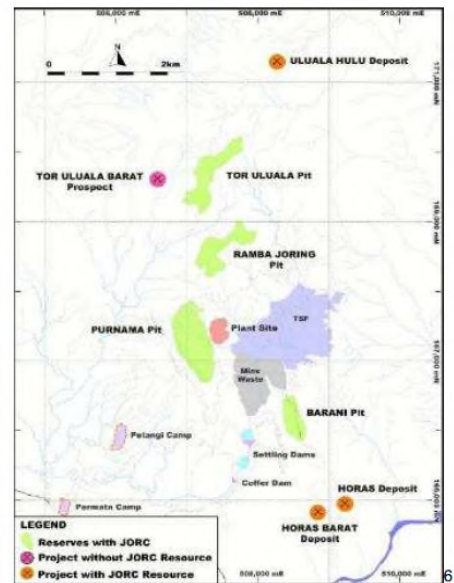


Fig. 5: The location of the mine and the areas in which prospecting (trial drilling) is taking place. The Purnama Pit, Barani Pit and Ramba Joring deposits are in operation. The latter went into operation in 2018.<sup>38</sup>

The Council does not know the exact distance to the prospecting areas, but the Tor Uluala, Tor Uluala Barat og Uluala Hulu deposits seem to be located around 2–3.5 km north of the mine.<sup>39</sup> According to PTAR’s annual report, the authorities licensed mining operations in Tor Ulu Ala in 2018.<sup>40</sup> However, mining has not yet commenced in this area. At a meeting with the Council, PTAR disclosed that it will exploit all commercially viable deposits, but not deposits in areas that formally have protected status.

## 2.4 Agreement with the ARRC and the ARRC’s assessment

As previously mentioned, the IFC standard requires that the IUCN Species Survival Commission Primate Specialist Group Section on Great Apes be consulted when projects are to be undertaken in areas containing primates. In 2020, the IUCN’s Survival Commission established the ARRC Task Force (Avoid,

<sup>38</sup> The image is taken from PTAR’s presentation, see footnote 37.

<sup>39</sup> PorterGeo Database, Martabe - Purnama, Ramba Joring, Uluala, Barani, Horas, <http://portergeo.com.au/database/mineinfo.asp?mineid=mn896>

<sup>40</sup> PTAR Annual Report 2022, p. 66.



Reduce, Restore, Conserve) to advise companies with operations that could harm primate habitats.<sup>41</sup>

In February 2022, Jardines notified the Council that it had signed an agreement with the ARRC under which the expert panel would peer review the Orangutan Impact Assessment Study performed by the Biodiversity Advisory Panel (BAP) in 2021. The proviso was that PTAR would halt all forest clearance and not engage in prospecting activity in the orangutans' habitat while the AARC conducted the peer review. The agreement was initially for a period of six months but was extended until the end of 2022.

On 19 April 2023, the ARRC announced that it would not renew its agreement with Jardines because it was impossible *"to find a way forward which would allow the panel [ARRC] to conduct an independent and effective review of the project's data on orangutans."*<sup>42</sup> This was in part due to the authorities' restrictions on access to data.

The ARRC points out the necessity of PTAR performing a new orangutan survey at the landscape level in order to better understand the consequences mining operations have had on the orangutan population over the past 20 years. The last such study was conducted in 2003. The ARRC indicate that PTAR has been reluctant to do so because such a survey would be time consuming and *"require huge amount of work"*. The ARRC also points out that *"if the project had been following best practice, there should have been a monitoring plan in place, and these surveys would have been conducted on a regular basis as part of the monitoring plan."*

In the ARRC's view, the BAP is not independent, because its members are paid by the company and it assesses data that it has itself collected. The ARRC further points out that PTAR has not considered alternatives to expansion of the mine northward and further into the KBA. *"An assessment of alternative options for*

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<sup>41</sup> On its website, the ARRC states that it *"draws upon the expertise of members of the IUCN Species Survival Commission (SSC), Primate Specialist Group (PSG) Section on Great Apes (SGA) and Section on Small Apes (SSA) to advise on Energy, Extractive, and Associated Infrastructure projects (EEAI projects) that have the potential to, or are already, affecting apes and their habitat."* The ARRC describes itself as *"the world's leading ape conservation experts with the goal of providing advice about avoidance, reduction, and restoration of the negative impacts of energy, extractive and associated infrastructure projects on apes, and recommendations for ways that companies can also contribute positively to ape conservation"*, <https://www.arrctaskforce.org/about>

<sup>42</sup> Letter to Jardines from the ARRC, dated 19 April 2023, [https://www.arrctaskforce.org/files/ugd/74ba36\\_3290655f43b24cdab4679941cda6ddb.pdf](https://www.arrctaskforce.org/files/ugd/74ba36_3290655f43b24cdab4679941cda6ddb.pdf)

*project development, specifically the feasibility of expanding the mine to the South, which would avoid significant impacts to the Tapanuli orangutan and its habitats, is a critical assessment that needs to be completed, and that is also required to demonstrate alignment with best practice."*

The ARRC concludes by saying that *"Currently, the project does not have any data to understand the significance of its impacts to date on orangutans. Aside from obtaining a clearer picture of the current state of the orangutan population across the project's area of influence, such data is critical to plan the future expansion of the mine and needs to happen before any further deforestation and general disturbance related to mining exploration activities takes place."*

## **2.5 Information from the company**

The Council has been communicating with Astra about the Martabe Gold Mine since February 2021. Information has been provided by United Tractors (UT), PTAR, Astra and Jardines. Several meetings have been held with representatives of these companies, which have also commented on a draft recommendation to exclude them from investment by the GPF. G.

The companies acknowledge that the operation is located inside an area of vulnerable nature, and that mining could have an adverse impact on the orangutan population. Nevertheless, PTAR considers that the mine's footprint is negligible compared with the size of the area available, and that its consequences are small and short-lived compared with other threats that are significant for the long-term viability of the orangutan population.

In its response to the Council's draft recommendation, Jardines wrote that *"Jardines and its subsidiaries are committed to operating our businesses responsibly and care deeply about sustainability and biodiversity. [...] We recognise that the long-term survival of the Tapanuli orangutan is of the utmost anthropological significance and each of Jardines, Astra, UT and PTAR are committed to supporting the conservation of this species."*<sup>43</sup>

The companies consider that the establishment of the BAP has been important in terms of both carrying out surveys and advising on the company's biodiversity management, assessment of initiatives, providing training to employees and surveying the presence of orangutans in connection with the opening up of new areas for prospecting or mining.

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<sup>43</sup> Letter from Jardines to the Council on Ethics, dated 15 January 2023.

The companies point out that throughout the period in which the mine has been in operation, PTAR has carried out extensive surveys and environmental impact assessments, including the Orangutan Impact Assessment Study. This study covered current and future mining operations and the planned tailings management facilities. According to PTAR, the study concluded that *“while habitat loss is the main potential impact on the Tapanuli orangutans, this impact can be mitigated through biodiversity management measures implemented during the life of the mine and through the ongoing rehabilitation of land, all of which are measures PTAR is taking or will take, taking account of the advice and input from the BAP.”* As a result of the study, development of a tailings management facility (TMF) to the east of the mine was halted because the BAP considered that the area was a suitable habitat for orangutans, and that *“as the habitat suitability index score was ‘low-medium’ (and not ‘low’). It [BAP] was instead recommending that the planned location for the TMF East was instead used for developing an internal corridor for the orangutans.”*<sup>44</sup>

PTAR emphasised that it had introduced so-called Land Clearance Procedures. This means that *“All clearance work must be preceded by pre-clearance surveys, carried out by the Biodiversity Advisory Panel (‘BAP’). No development work proceeded until the BAP had confirmed that it was comfortable that there was a low risk of harm to the Tapanuli orangutan and its habitat.”*<sup>45</sup>

PTAR has implemented a biodiversity action plan, which includes programmes to minimise conflicts between orangutans and humans in connection with forest clearance. PTAR has disclosed that the company’s biodiversity management is based on a mitigation hierarchy, as required in the IFC standard, and that planned offsets (the orangutan corridor) complied with the standard.<sup>46</sup> The company therefore considers that it is *“materially in compliance with internationally recognized standard IFC PS-6.”*<sup>47</sup>

The Council has not had access to any of the studies the company has performed. The companies have disclosed that the Indonesian authorities must

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<sup>44</sup> Letter from Astra/PTAR to the Council on Ethics, dated 26 January 2023.

<sup>45</sup> See footnote 44.

<sup>46</sup> The IFC’s PS-6 mitigation hierarchy provides guidance on how development projects’ adverse impacts on biodiversity can be reduced. This includes four stages that must be carried out sequentially – avoid harm, minimise harm, remedy harm and implement offsets. The implementation of offsets is the final recourse. See [Performance Standards \(ifc.org\)](https://www.ifc.org/standards)

<sup>47</sup> See footnote 44.

authorise any sharing of the underlying study data and research results with foreign researchers or organisations.<sup>48</sup>

With regard to the ARRC's assessments, Jardines acknowledges that the issue of sharing data has been a challenge which the company has so far not managed to resolve. Nevertheless, PTAR has throughout the process striven to share as much as possible within the permitted limits. The company considers that the BAP's members act as independent experts even though the company pays for their services. *"Their work is focused on the best interests of the Tapanuli orangutan, and they have never hesitated to challenge the approach being taken by the mine wherever necessary."* Jardines agrees that it is necessary *"to include updated data for baseline assessments"*, but points out that many surveys of the flora and fauna have been carried out, including the 2021 Orangutang Impact Assessment Study. *"Together with the BAP, we consider a comprehensive approach to data as being crucial, requiring the integration of all available historical data into any analysis, rather than solely relying on new or current data."* The company says it will continue working to understand how the expansion of the KBA will affect ongoing mining operations and future development plans. *"While the termination of the MOU by ARRC is unfortunate, Jardines, Astra, UT and PTAR all remain steadfastly open to other independent advice and to ensuring that the operations of the mine do not impact the Tapanuli orangutan."*<sup>49</sup>

### **3 Observation of Astra's plantation operations**

Astra has been under observation since 2015, due to the risk of serious environmental damage relating to the development of oil palm plantations by its subsidiary PT Astra Agro Lestari Tbk (AAL). Pursuant to section 5(7) of the ethical guidelines, the Council may, in the light of new information, recommend that Norges Bank revoke decisions to exclude companies or place them under observation.

AAL operates oil palm plantations in Sumatra, Kalimantan and Sulawesi through 43 subsidiaries. In total, the plantations cover an area of almost 2,900 km<sup>2</sup> (286,877 hectares). AAL also operates 32 palm oil mills and three refineries. The

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<sup>48</sup> Se også Pearce, F., Silencing Science: How Indonesia Is Censoring Wildlife Research. 24. Januar 2023, Yale Environment 360, <https://e360.yale.edu/features/indonesia-silencing-orangutan-research>.

<sup>49</sup> Epost til Etikkrådet fra Jardines, 7. mai 2023.

company has more than 34,000 employees and buys approximately half of its externally sourced palm oil fruits from around 64,000 smallholders.<sup>50</sup>

### *The Council's assessment in 2015*

The Council's assessment in 2015 concentrated on 12 concessions covering in total approx. 900 km<sup>2</sup> in Kalimantan and Sulawesi, where the company had converted or was in the process of converting tropical forest and peatland into oil palm plantations. The Council's investigations indicated that the development of the plantations would lead to widespread deforestation, with serious adverse impacts on biodiversity – including the destruction of habitats for endangered species.

In June 2015, the company announced that it would implement a moratorium on all conversion of land with immediate effect, and halt all deforestation. The company also announced that it was developing a new sustainability policy, in which biodiversity and carbon storage would be assessed before the development of new areas was considered. Since this could reduce the risk that the business would result in serious environmental damage, the Council recommended that it be placed under observation. Norges Bank decided to follow the Council's recommendation and placed the company under observation in October 2015.

### *The Council's observations*

The Council has observed the company's implementation of its sustainability policy, which is based on three principles: no deforestation, no conversion of peatland, and respect for human rights. The Council's observations have focused on assessing whether the measures implemented by the company are sufficient to protect biodiversity and areas of high conservation value within its concessions. In recent years, the Council has also raised the situation facing the semi-nomadic Indigenous Orang Rimba people, who live in great poverty in the area surrounding the plantation concession operated by one of AAL's subsidiaries. The Council has submitted observation reports to Norges Bank in 2018, 2019 and 2020.<sup>51</sup>

The Council has been in regular communication with Astra and AAL throughout the observation period, and has held several meetings with the companies. The companies have commented on draft versions of the Council's observation

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<sup>50</sup> AAL 5 Year Sustainability Action Plan (2021-2025), [https://www.astra-agro.co.id/wp-content/uploads/2022/02/ActionPlan\\_2022-1.pdf](https://www.astra-agro.co.id/wp-content/uploads/2022/02/ActionPlan_2022-1.pdf)

<sup>51</sup> The observation reports are available on the Council's webpage on PT Astra International Tbk, <https://etikkradet.no/pt-astra-international-tbk-2/>

reports, and AAL has provided updates on both measures that are intended to protect biodiversity and measures to improve the Orang Rimba people's living conditions.

During the observation period, AAL has not opened up new areas of peat or forest, and the company has undertaken to preserve High Carbon Stock (HCS) forest, peatlands and areas of High Conservation Value (HCV).

In 2018, AAL announced a three-year action plan with specific targets and measures for the implementation of the sustainability policy. For example, the company would review its systems for the monitoring and management of HCV areas and update previous HCV surveys in accordance with international best practice. Ten concessions were selected for renewed assessment. AAL has also implemented measures to protect and restore peatlands, limit fires and introduce a tracing system to reduce the risk of buying palm oil and oil palm fruit from suppliers involved in deforestation.

In 2021, AAL commissioned an external evaluation of its sustainability policy. According to this evaluation, progress has been made in relation to preventing fires, reducing greenhouse gas emissions, preserving peat bogs and purchasing palm oil. The evaluation report pointed out that the reassessment of HCV areas had been delayed and that only one reassessment in one concession had been completed in 2021. AAL has since informed the Council that all the reassessments will be completed by 2025.<sup>52</sup>

On the basis of the external evaluation, AAL has drawn up a new five-year sustainability plan, which retains many of the measures from the previous action plan. The sustainability plan was launched in February 2022. The action plan confirms AAL's *"commitment to consistently carry out forest and peat conservation. Do not carry out deforestation, forest burning and actions that damage the environment."* The strategy to reduce greenhouse gas emissions in line with national pledges has also been retained. In addition, AAL undertakes to *"upholding human, labor and community rights, as well as supporting sustainability programs in all subsidiaries."*<sup>53</sup>

During the entire observation period, the Council has raised the question of transparency and how the company reports its efforts in the area of biodiversity.

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<sup>52</sup> Letter from Astra to the Council on Ethics, dated 8 January 2023.

<sup>53</sup> AAL press release of 15 February 2022, Astra Agro Continues Action Plan for Implementing Sustainability Principles, <https://www.astra-agro.co.id/en/2022/02/15/astra-agro-continues-action-plan-for-implementing-sustainability-principles/>

AAL's reporting has gradually become more detailed than in previous years. Both the company's sustainability report and progress reports on its sustainability work, which up until 2022 were published on the company's website, have become more informative and more detailed.

### *The Orang Rimba people*

In December 2018, the Rainforest Foundation Norway contacted the Council with regard to the situation facing the semi-nomadic Indigenous Orang Rimba people, who live beside the plantation owned by AAL's subsidiary PT Sari Aditya Loka (PT SAL) in Sumatra's Jambi Province. In November 2019, members of the Council's secretariat visited PT SAL in Sumatra and some of the areas in which the Orang Rimba people live.

Around 200 Orang Rimba families live in great poverty and without permanent homes or livelihoods in the area surrounding PT SAL's plantation concession. From time to time, some of the groups have camped temporarily inside the plantation. This has led to conflicts. For several years, the company has provided food aid, health services and offered schooling/education services to improve the families' living standards. These initiatives are ongoing. The company is working with local volunteer organisations and local authorities in the implementation of these programmes.

In the last few years, AAL has initiated processes to improve the situation for the Indigenous group in the longer term. This includes assistance to the families so that they can become qualified for social security and other services provided by the authorities, and cooperation with local authorities and the nearby national park office to safeguard living areas and livelihoods for the groups. AAL partners with a number of stakeholders, including representatives of Orang Rimba groups, to develop programmes intended to secure lasting improvements for the Indigenous people by providing them with secure livelihoods and places to live. AAL has also engaged in a dialogue with Indonesia's Human Rights Commission and government representatives about the Orang Rimba's situation.

The Orang Rimba people's collection of fallen fruit for further sale, which AAL does not permit, continues to be a source of conflict.

### *Other conflicts*

The Council on Ethics is aware of reports of conflict between local communities and three of AAL's subsidiaries: PT Agro Nusa Abadi, PT Mamuang and PT Lestari

Tani Telada in Central Sulawesi.<sup>54</sup> The local communities, supported by voluntary organisations, claim that the subsidiaries have developed plantations on land belonging to local farmers, that the companies have repeatedly reported farmers to the police for alleged illegal acts and that one of the plantations has caused severe erosion along a river course. These allegations relate to the development of plantations that the companies started up many years ago but that the organisations believe AAL must remedy. The Council is also aware that several food brands have suspended their business partnerships with AAL on the grounds of these conflicts and civil society's allegations that the company is contributing to human rights abuses.<sup>55</sup>

The Council has not investigated these allegations in more detail, but has raised the land-related conflicts with the company. The company has disclosed that it is working with the authorities and stakeholders to shed light on the allegations and find solutions. AAL has engaged the Conflict Resolution Unit – Indonesia Business Council for Sustainable Development to assess the company's implementation of its human rights guidelines. It has also appointed an independent third party to thoroughly investigate the land-grab allegations and any other matters that the process may uncover, as well as report its findings and proposals for measures that could help resolve the problems and improve the situation.

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<sup>54</sup> See Conant, J. and Gaura, M., 2022. No consent, Astra Agro Lestari's land grab in Central and West Sulawesi, Friends of the Earth, <https://foe.org/resources/astra-agro-lestari/> and Wahli, Open Letter from Indigenous Peoples and civil society organisations to consumer goods companies re: ongoing criminalization, human rights abuses, and land grabbing by Astra Agro Lestari and subsidiaries, 20 September 2022, <https://www.wahli.or.id/open-letter-from-indigenous-peoples-and-civil-society-organisations-to-consumer-goods-companies-re-ongoing-criminalization-human-rights-abuses-and-land-grabbing-by-astra-agro-lestari-and-subsidiaries>

<sup>55</sup> Bloomberg, Nestlé to Drop Indonesian Palm Oil Supplier Astra Agro Lestari on Abuse Claims, 29 September 2022, <https://www.bloomberg.com/news/articles/2022-09-29/nestle-to-drop-palm-oil-supplier-astra-agro-lestari-on-allegations-of-abuses#xj4y7vzkg> and Reuters, Nestle to stop sourcing from Indonesian palm oil producer AAL 1 October 2022, <https://www.reuters.com/business/sustainable-business/nestle-stop-sourcing-indonesian-palm-oil-producer-aal-2022-09-30/> and Reuters, PepsiCo, FrieslandCampina ask suppliers to stop buying AAL palm oil, 13 March 2023, <https://www.reuters.com/markets/commodities/pepsico-frieslandcampina-halt-business-with-palm-oil-supplier-2023-03-10/>



## **4 The Council's assessment**

### **4.1 Martabe Gold Mine**

On the basis of available information, the Council has assessed whether there is an unacceptable risk that Jardines, J&C and Astra are contributing to or are themselves responsible for serious environmental damage through their ownership of the Martabe Gold Mine.

The starting point for the Council's assessment is that loss of species and biodiversity is one of the most serious threats to nature and ecosystems. Loss of species is irreversible and can have wide-ranging consequences for other species, ecosystems' functioning and stability, as well as the natural environment on which local communities depend for their livelihoods.

The most important reason why species are at risk of becoming extinct is the impairment, reduction in size and loss of their habitats. The risk of species and habitat loss has been a key factor in other recommendations issued by the Council that deal with biodiversity and serious environmental damage. The Council takes the position that the international agreement to preserve biodiversity has been further strengthened by the Kunming-Montreal Global Biodiversity Framework's goals to reduce the loss of nature and species, and expectations that business enterprises will contribute to this effort.

The Tapanuli orangutan is the most critically endangered of all the great apes. The Council attaches considerable weight to the fact that there are fewer than 800 individuals left in the Batang Toru Forest, that this forest is the only place in the world where they live and that their present habitat is estimated to be less than 5 per cent of its original size. At the same time, the Council notes that the area is classified as a Key Biodiversity Area (KBA) and that it boasts an exceptionally rich biodiversity. It is also an important habitat for other plant and animal species, many of which are endemic and several endangered.

The Council notes that as far back as 2003, environmental assessments concluded that mining operations would have an adverse impact on the critically endangered orangutan and other endangered species, and that orangutans were to be found in the area where the mine was subsequently developed. The loss of habitat is the most important threat to the survival of the orangutan population. It is a fact that the Martabe mine, through the clearance of forest, has reduced the Tapanuli orangutan's last remaining area of habitat. Although the company deems these impacts to be small, and even though other threats, such as poaching, could also have an impact, there is nevertheless a considerable risk that the mining operation has contributed to a decline in the population.

PTAR has informed the Council of a number of studies, initiatives and measures that have been taken to preserve biodiversity. This includes the establishment of a panel of experts who can provide advice on further conservation work to prevent and reduce the mine's consequences for the Tapanuli orangutans. The panel also surveys the presence of orangutans ahead of new prospecting activity or expansion of the mine area. The company will replant the mine area when operations are finally discontinued, while offsetting is intended to mitigate the loss of habitat for the orangutans.

The Council has no basis on which to assess the measures, since the company has been unable to share any of the study findings due to government restrictions. This has also prevented the IUCN's expert group, the ARRC, from evaluating the company's investigations and mitigation measures. The Council notes that the restrictions on access to information are not in accordance with the Kunming-Montreal Global Biodiversity Framework's goals with respect to information sharing.

The Council also notes that the ARRC has terminated its partnership with Jardines. The ARRC points to several shortcomings in PTAR's surveys and data collection relating to the Tapanuli orangutan. The Council attaches considerable weight to the ARRC's assessment that more thorough investigations at the landscape level are required to understand the impact that the mine has had so far on the orangutan population, and that such data is critical in the planning of future prospecting activity and mine expansion.

For the Council, the decisive factor is that the Tapanuli orangutan is a critically endangered species and that any further reduction in the size of its habitat would, according to many experts, worsen its situation and increase the risk of it becoming extinct. The steps the company has taken to preserve the orangutan do not seem to any great degree to have limited the expansion of the mine or prospecting activity deeper into the orangutan's habitat, which could contribute to a further reduction in the population. The Council attaches importance to the ARRC's assessment that the company does not seem to have conducted adequate studies to understand how mining operations are affecting the orangutan population, that a substantial increase in the mine area is planned during its lifetime, that new deposits will be mined if they are commercially viable and that the Indonesian authorities have licensed mining operations in an area that is as yet undeveloped. All these activities will take place in areas that overlap with the Tapanuli orangutan's habitat and the KBA. The Council considers that the risk of the company contributing to serious environmental damage will remain unacceptable for as long as the company's activities result in a reduction in the orangutans' habitat.

## 4.2 Plantation operations

The Council's observation of Astra and AAL has focused particularly on how AAL preserves and manages biodiversity and areas of high conservation value in its concessions. After the Council was made aware of the business's impact on Indigenous people and local communities after the observation period commenced, these issues were also included.

As AAL has not cleared new areas of forest or peatlands since 2015, the risk of losing important biodiversity has decreased substantially. The Council notes that the company is in the process of revising previous HCV assessments in certain concessions. Although this work is proceeding more slowly than planned, it could in the longer term form a better foundation for conserving and managing such areas in its plantations. The Council also notes that AAL has introduced systems to prevent fires, preserve peatland and avoid deforestation in its supply chain.

AAL has adopted a new five-year sustainability action plan, which retains many of the measures from the previous sustainability strategy. Although AAL did not realise all its goals in the previous action plan, it seems to be moving in the right direction. Based on the information that the company has shared during the observation period, the Council considers that it has now established systems and measures that reduce the risk of important biodiversity being lost.

The Council notes that in recent years AAL has taken a more active role in finding lasting solutions for the Indigenous Orang Rima people. Although the Council understands that the public authorities and other actors are also responsible for finding solutions, the Council considers that AAL continues to play an important role in the effort to secure a place to live and a livelihood for the Orang Rima people. It will be important to continue engaging in an open and transparent dialogue with the Indigenous groups and other stakeholders with respect to processes and initiatives to improve their situation.

The Council presumes that AAL's new sustainability action plan will be important for intensifying the effort to protect biodiversity and will reinforce AAL's endeavours in the area of human rights and conflict resolution. The Council considers that AAL should continue to improve its reporting on the tangible implementation of the plan and its efforts to operate its plantations more sustainably.

The Council concludes that there is no longer an unacceptable risk of serious environmental damage relating to AAL's development and operation of oil palm plantations, and recommends that observation be discontinued.

# 5 Recommendation

The Council on Ethics recommends that the companies Jardine Cycle&Carriage Ltd, Jardine Matheson Holdings Ltd and Astra International Tbk PT be excluded from investment by the Government Pension Fund Global pursuant to the environmental criteria of the ethical guidelines.

The Council on Ethics also recommends that observation of PT Astra International Tbk relating to the plantation operations of its subsidiary PT Astra Agro Lestari Tbk, be discontinued.

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Svein Richard  
Brandtzæg

Cecilie Hellestveit

Vigdis Vandvik

Siv Helen Rygh  
Torstensen

(Sign.)

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