

COUNCIL ON ETHICS

THE GOVERNMENT PENSION FUND GLOBAL

To the Ministry of Finance

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UNOFFICIAL ENGLISH TRANSLATION

Recommendation on the exclusion of Genting Berhad from the Government Pension Fund Global's investment universe

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1 Summary

The Council on Ethics has assessed whether there is an unacceptable risk that Genting Berhad (Genting) is responsible for severe environmental damage associated with its subsidiary, Genting Plantations Berhad's (Genting Plantations) development of oil palm plantations in Indonesia. As per the end of 2013, the Norwegian Government Pension Fund owned shares in Genting corresponding to an ownership interest of 0.52 per cent.

The Council has studied ten of Genting Plantations' license areas in Kalimantan which are in the process of being developed. The license areas, covering in total more than 150,000 ha, are located within eco-regions that are known for their rich biodiversity and wide range of endemic and threatened species. In the period 2008-2012, the Council findings indicate that forests have been or are being cleared in seven of the concessions, totalling about 23,000 hectares. This includes the conversion of closed canopy lowland forest in good condition. Moreover, five of Genting Plantations' license areas are located on lands which have been mapped as potential orang-utan habitat and possibly other endangered species. Most of these habitats have already been converted, except for one concession where the clearing is ongoing. Four of the license areas which currently are being converted include large areas of peatlands, including deep peat. One of these again falls under the Norway-Indonesia moratorium.

The actual extent and condition of forests and peatlands or the levels of biodiversity within the license areas are not known, and it is not clear what biodiversity that is likely to be lost. The Council has requested such information from Genting, but Genting has not responded to the Council.

Moreover, Genting Plantations does not provide any substantial information on which measures the company has implemented, if any, to mitigate biodiversity impacts associated with the conversion of forests and peatlands. The company is a member of the Roundtable for Sustainable Palm Oil (RSPO), and states that it will start the RSPO-certification process for its Indonesian units in 2018 or 2019. In the Council's view, this is an exceptionally long-term goal for achieving sustainability practices, and does not ensure that important ecological values are conserved and maintained in Genting Plantation's license areas.

In this case, the basis for assessing the condition of the forest, biodiversity and ecosystems is limited. The Council finds that the company's lack of transparency, the fact that the concessions are located in ecologically important regions, and that the company appears to be clearing forest in good condition and peatlands, entail an unacceptable risk that the conversion of forest will have severe and irreversible impacts on biodiversity and ecosystems in the region. In the Council's view, the company's mitigation measures seem not to be sufficient to reduce the risk of severe environmental damage associated with the conversion of forest to oil palm plantations. The Council therefore recommends to exclude Genting Berhad and its subsidiary Genting Plantations Berhad from the Norwegian Government Pension Fund.

2 Introduction

2.1 What the Council has assessed

The Council's assessment concentrates on Genting's subsidiary, Genting Plantations oil palm plantation operations in Indonesia. The Council has assessed whether there is an unacceptable

risk that Genting contributes to or is itself responsible for severe environmental damage as per paragraph 2 of the Ethical Guidelines.¹

In previous recommendations regarding severe environmental damage, the Council has put particular emphasis on 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 neglected to act in order to prevent the damage;
- the company has not implemented adequate measures to rectify the damage;
- it is probable that the company's unacceptable practice will continue.

Environmental impacts associated with the clearing of tropical forests

The commercial logging and conversion of tropical forest to plantations is considered to be one of the greatest causes of the degradation and destruction of tropical forests and contributes significantly to greenhouse gas emissions. It is estimated that land use change, dominated by tropical deforestation, was responsible for about 10 per cent of the total human-induced greenhouse gas emissions between 2000 and 2009.² The clearance of tropical forests to establish mono-culture plantations is considered to have devastating effects on biodiversity, natural habitats and ecosystem services. Such mono-cultures are of limited ecological value compared with natural forests.

The UN, the World Bank and national governments have all recognised the need to reduce deforestation and forest degradation, in part through the establishment of the United Nations Collaborative Initiative on Reducing Emissions from Deforestation and Forest Degradation (REDD and REDD+) in developing countries, supported by the World Bank and others. The Norwegian Government has also supported these initiatives by allocating up to NOK 3 billion a year to efforts to reduce greenhouse gas emissions from deforestation in developing countries. These schemes are also considered to benefit biodiversity and sustainable development.

Indonesia is one of the countries that Norway is collaborating with under the REDD+ Scheme. Indonesia has some of the highest deforestation rates in the world. Between 1990 and 2010, Indonesia lost more than 20 percent of its forests or more than 240 000 km².³ The conversion of forests to oil palm plantations is the main driver of deforestation.

The conversion of peatlands is an Indonesia-specific challenge, as Indonesia accounts for almost 60 per cent of global greenhouse gas emissions from peat decomposition.⁴ In addition to being important carbon sinks,⁵ peatlands also represent unique ecosystems with regard to biodiversity. In 2010, Norway entered into a partnership with Indonesia to support the country's efforts to reduce deforestation, forest degradation and destruction of peat lands. Under this agreement Indonesia implemented a nationwide moratorium on new forestry and plantation concessions, which aims to reduce new clearing of primary forests and peat lands.

¹ In previous recommendations, the Council has elaborated on the criteria for *severe environmental damage*. See for instance recommendations regarding Noble Group, available at www.etikkradet.no

² IPCC (2013): Climate Change 2013. *The Physical Science Basis. Working Group I contribution to the IPCC 5th Assessment Report* <http://www.ipcc.ch/report/ar5/wg1/#.Um6XYDhFD5o>

³ <http://rainforests.mongabay.com/deforestation/2000/Indonesia.htm>. Data basert på UN FAO *State of the World's Forest*.

⁴ Fact Sheet Norway-Indonesia Partnership REDD+, <http://www.norway.or.id/PageFiles/404362/FactSheetIndonesiaPeatMay252010.pdf>.

⁵ At present, Indonesian peatlands store 132 gigatonnes of CO². In comparison, the world's largest rainforest, the Amazon, stores 168 gigatonnes of CO², see footnote 4.

The moratorium was set to expire in May 2013 and has been extended for two more years.⁶ The moratorium is part of Indonesia's efforts to reduce its carbon emissions by 26 per cent by 2020.

The Council's point of departure is that tropical forests in Indonesia are among the most biodiverse ecosystems on earth. In addition to supporting this biodiversity and providing habitats for many endangered species, the tropical rainforest also plays an important role in providing fundamental ecosystem services, such as watershed protection, nutrient cycling and soil stabilisation and carbon storage. There can be little doubt that the development of plantations is a serious threat to these forests. Considering the many international and national initiatives to reduce deforestation and forest degradation, the Council has assessed the risk of environmental damage associated with the clearing of tropical forests. In its assessment the Council emphasises the scale of the clearing, to what extent the company's licence area overlaps with areas with important ecological values, and which consequences the conversion of forest will entail for endangered species and their habitats.

2.2 Sources

There is little public information available on the plantation operations or the environmental impacts associated with Genting Plantations' conversion of tropical forests. The Council has requested information from Genting, including the location of its plantations, the condition of the forest within the concession, as well as environmental impact and high conservation value assessments, but the company has not responded to the Council.

The Council has therefore commissioned research to identify the company's plantations, their location and whether the plantation development involves the clearing and conversion of forests and peatlands. In this process, both public information on Genting Plantations' homepage, satellite images and data from national and local governments in Indonesia, NGOs and the internet have been used.

Moreover, the Council has attempted to establish whether Genting Plantations' licence areas are located within ecologically important ecosystems and, if possible, indicate whether the conversion of forest to oil palm is likely to entail a loss of endangered species and their habitats. This has been based on academic literature and assessment of thematic maps (peatlands, forest types, species and land under the Norway – Indonesia moratorium, as well as spatial plans issued by national and regional bodies). It is important to note that these sources do not provide any detailed information on the actual condition of the forest or the biodiversity levels in the license areas.

3 Background

3.1 About Genting Berhad and Genting Plantations Berhad

Genting Berhad is a Malaysian company listed on Bursa Malaysia, which is principally involved in leisure and gaming business.

The company's subsidiary Genting Plantations manages the oil palm business. Genting Berhad has a 54.7 per cent ownership in Genting Plantations. Genting Plantations is listed on the

⁶ The Government of Norway's International Climate and Forest Initiative <http://www.regjeringen.no/templates/RedaksjonellArtikkel.aspx?id=547202&epslanguage=EN-GB>, the moratorium is available at <http://www.regjeringen.no/en/dep/md/press-centre/Press-releases/2011/the-launch-of-the-moratorium-is-one-imp.html?id=643916>.

Malaysian Stock Exchange, but the GPPF has currently no holdings in this company. In Malaysia, Genting Plantations owns estates in Johor, Kedah, Malacca, Negeri Sembilan, Perak, Sabah and Selangor. Outside Malaysia, the company holds majority shareholdings in a growing number of plantation estate companies in Central and West Kalimantan in Indonesia.

By the end of 2012, Genting Plantations reported to have an oil palm land bank of 66,000 ha in Malaysia and 162,700 ha in Indonesia.

4 The Council’s findings

As the Council is concerned with the recent and ongoing conversion of natural forests and peatlands, the Council has focused on the development of new plantations in the period 2008-2011. Since 2008, virtually all of Genting Plantations’ new plantings were realized in Indonesia.

The Council has identified 10 plantation estates in Indonesia where new plantations have been developed in 2007-2012 (Table 1). The estates are owned by subsidiaries of Genting Plantations. In October 2012, the company acquired a 63.2 per cent interest in the joint venture company Global Agripalm Investment Holdings Pte Ltd. The acquisition increased Genting Plantations’s land bank in Indonesia by approximately 62,000 ha in 2012 of which about 18,000 hectares had been planted at the time of the transaction.⁷

4.1 The concession areas in Kalimantan

Genting Plantations’ ten license areas where development appears to be ongoing, are located in West and Central Kalimantan (see Figure 1 and Table 1).



Figure 1: Approximate location of Genting Plantations’ license areas in Kalimantan, Indonesia (red areas).⁸

⁷ Genting Plantations 2013: Bursa Malaysia announcement, 29 March 2013. The joint venture company holds a 95 per cent stake in three plantation companies (PT Globalindo Agung Lestari, PT Globalindo Mitra Abadi Lestari and PT Globalindo Investama Lestari) located in Central and Western Kalimantan.

⁸ Google Earth base image and National Land Agency’s (BPN) concession maps.

Table 1: *Genting Plantations' subsidiaries and plantation estates in Indonesia which the Council has assessed.*

Subsidiaries/ District of location	Size of concession on map in hectares ⁹ (Size in stated in permits) ¹⁰	Deforested area in the concession 2008-2012	Peatland in concession (developed 2008-2012)	Status in the license area as of 2012
West Kalimantan				
PT Citra Sawit Cemerlang Ketapang	15,799 (19,400)	640	0	Development ongoing Lowland forest remaining in good condition. 8,400 ha overlap with potential or actual orang-utan habitat, most of which was yet to be cleared by 2012.
PT Sawit Mitra Abadi Ketapang	13,317	750	0	Development ongoing Mostly community agriculture landscape, possibly with some patches of natural forest.
PT Sepanjang Inti Surya Mulia Ketapang	14,858 (19,800)	990	0	Mostly developed Previously a mixed landscape of community agriculture and agroforestry and natural forest.
PT Surya Agro Palma Sanggau	20,532 (11,000)	2,360	3,200 (980)	Development ongoing Mostly a community agriculture landscape, possibly with some patches of natural forest. 3,200 ha overlap with peatland (1-2m deep) in its northern section.
Central Kalimantan				
PT Dwie Warna Karya Central Kapuas	15,109 (12,500)	4,690	0	Development ongoing, suspended in 2013. About a third of the concessions were logged-over lowland forest in 2009, the remainder being community land. The two concessions jointly overlap with 10,200 ha of potential orang-utan habitat, most of which was cleared by 2012.
PT Susantri Permai Central Kapuas	10,400 (15,000)			
PT Kapuas Maju Jaya Central Kapuas	20,070 (17,500)	12,690	0	Development ongoing In 2008, the license area was covered with logged-over lowland tropical forest. Most of this was deforested within a short time span. Only patches of forest left in 2012. Most of the concession is potential orang-utan habitat.
PT Globalindo Agung Lestari Kapuas and South Barito	26,100 (no data)	0	39,500 (18,200)	Development ongoing Probably freshwater swamp forest which was cleared long before Genting acquired the concessions. About 39,500 ha (70%) is located on peat, including deep peat (>4m depth). A significant portion of PT Globalindo Agung Lestari overlaps with the Norway-Indonesia Moratorium
PT Globalindo Mitra Abadi Lestari Kapuas and South Barito	13,470 (no data)			
PT Globalindo Investama Lestari Kapuas and South Barito	15,231 (no data)			

⁹ Size on map is calculated by Google Earth Pro based on the National Land Agency's (BPN) concession maps. This may differ from size stated in permits due to lagging communication between government departments at various spatial levels.

¹⁰ Location Permit or Plantation Business Permit

Kalimantan supports one of the largest areas of tropical rainforest in Southeast Asia. Genting Plantation's license areas in West Kalimantan and three of the license areas in Central Kalimantan appear to fall within the Bornean Lowland Rainforest Ecoregion, while the Globalindo concessions seem to fall within the Southwest Borneo Freshwater Swamp Forests Ecoregion.¹¹ Both these ecoregions are included among the WWF's Global 200 Priority Ecoregions,¹² because their exceptional biodiversity is considered critically endangered by logging, planned habitat conversion and hunting.¹³ According to WWF, the Global Ecoregions is a science-based global ranking of the Earth's most biologically outstanding terrestrial, freshwater and marine habitats. Where natural forest remains within these Ecoregions, such forest should be seen as high priority for conservation.

In its natural state, the Bornean lowland rain forest is considered to be among the richest and most diverse rainforests on Earth, renowned for bird and plant richness (380 and 10,000 species respectively) and home to a large number of endemic and endangered species including the Bornean orang-utan and the proboscis monkey. Freshwater swamp forests are carbon rich ecosystems which can range greatly in species diversity depending on the underlying soil layer and patterns of inundation by flooding. They are known to support a similar array of plant and animal species found in Borneo's well drained lowland forests.

4.2 Deforestation in Genting Plantations' licence areas

Based on available information, large scale deforestation has taken place and appears to be ongoing in Genting Plantations' licence areas. In Central and West Kalimantan, the Council's research indicates that the company has cleared at least 22,100 ha of forest (natural forest, community agroforestry) over the 2008-2012 period. There is no information available on the condition of the forest neither from the company nor from other sources, but satellite images indicate that the clearing of closed canopy lowland rainforest is ongoing in the PT Citra Sawit Cemerlang concession (see Figure 2). Of the 15,800 ha concession,¹⁴ approximately 14,000 ha (89 per cent) remained forested in 2009. Land clearing appears to have started recently.

Also in other concessions Genting Plantation has cleared most of the licence areas in short time. In 2008, the PT Kapuas Maju Jaya license area remained fully covered by lowland forest which had previously been logged. Satellite images indicate that the company deforested the bulk of the license area within a short time span, leaving only patches of natural forest and a larger portion to the northwest in 2012. About 12,700 ha of forest seem to have been cleared after 2008 (see Figure 3).

¹¹ <http://www.worldwildlife.org/science/wildfinder> (Refer to Ecoregion numbers 0102 (lowland rain forest), and 0153 (fresh water swamp forest), for a more comprehensive description of these forest types.)

¹² The Global 200 is the list of Ecoregions identified by the World Wildlife Fund (WWF) as priorities for conservation. An ecoregion is defined as a relatively large unit of land or water containing a characteristic set of natural communities that share a large majority of their species, dynamics, and environmental. The WWF assigns a conservation status to each Ecoregion: critical or endangered; vulnerable; and relatively stable or intact, http://wwf.panda.org/about_our_earth/ecoregions/about/

¹³ Wikramanayake et al. (2002): Terrestrial Ecoregions of the Indo-Pacific. A Conservation Assessment. USA: Island Press.

¹⁴ Based on the concession on maps from BPN 2010, BPN 2012, Ministry of Forestry 2013



Figure 2: Section covering PT Citra Sawit Cemerlang licence area (the upper area indicated by white lines).¹⁵ The right image shows a close up of the forest cover (high-resolution imagery available on Google Earth) which is present in area within the blue frame. It is this type of closed-canopy forest where the company has commenced clearing in 2013 and will likely continue to clear in the coming years.

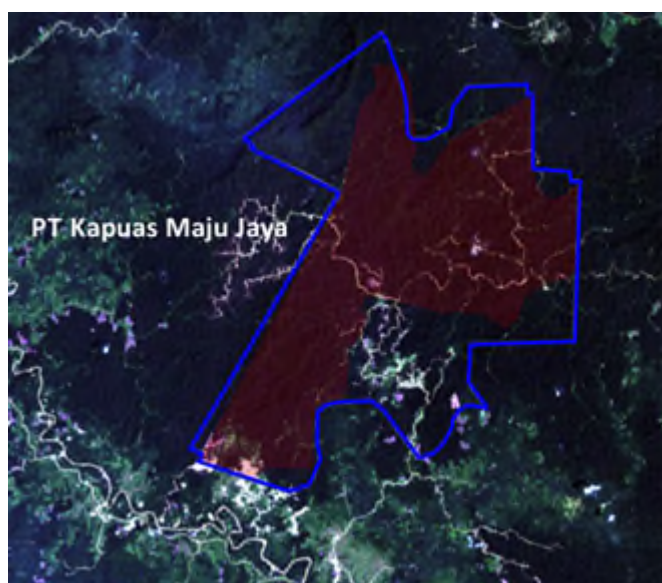


Figure 3: PT Kapuas Maju Jaya license area (blue lines). The redish surface shows the area which was deforested 2008-2012.¹⁶

4.3 Clearing of orang-utan habitat

Both maps and academic literature indicate that five of Genting Plantations' licence areas (PT Citra Sawit Cemerlang, PT Dwie Warna Karya, PT Susanteri Permai and PT Kapuas Maju

¹⁵ Landsat 8 (2009) satellite image of license area. Image of forest is based on Google Earth, August 2009. The concession south of PT Citra Sawit Cemerlang is PT Permata Sawit Mandiri, which Genting Plantation has an option to acquire from its joint venture partner, the Sepanjang Group.

¹⁶ Landsat 7 satellite images 2008-2012

Jaya) overlap with areas that have been mapped as habitats for the endangered Bornean orang-utan (*Pongo pygmaeus*)¹⁷ (see Figure 4).¹⁸ Except for PT Citra Sawit Cemerlang, the company has cleared most of the orang-utan habitat in the other license areas. The orang-utan is often considered to be a flagship species which act as symbols for the threats to the broader ecosystem in which they occur. The conservation of this species may also help the conservation of other species that share its habitat, and which are vulnerable to the same threats.¹⁹



Figure 4: Google Earth image with orang-utan habitat overlay (brown color) and location of Genting Plantations licence areas (black, blue and red lines). Close up of licence areas in the lower part²⁰.

In Kalimantan, landscapes and habitats have been degraded over many years, and the forest has been fragmented in the landscape where Genting Plantations' concessions are located. The biodiversity and the ecosystems once present in the region, have been impacted over time, which means that important ecological values may have been lost. On the other hand, it is also possible that the remaining forested areas and peatlands support important ecological functions and therefore should be managed accordingly. As Genting has not provided any information, it is not known whether the license areas contain important ecological values that are

¹⁷ The Bornean orang-utan is listed on the IUCN Red List as Vulnerable. The IUCN Red List of Threatened Species. Version 2014.3. www.iucnredlist.org.

¹⁸ Meijaard, E., Dennis, R. and Singleton, I. (2004) Borneo Orang-utan PHVA Habitats Units: Composite dataset developed by Meijaard & Dennis [2003] and amended by delegates of the Orang-utan PHVA Workshop, Jakarta, January 15-18, 2004 [Subsequently further updated by E. Meijaard). See also Wich SA, Gaveau D, Abram N, Ancrenaz M, Baccini A, et al. (2012) Understanding the Impacts of Land-Use Policies on a Threatened Species: Is There a Future for the Bornean Orang-utan? PLoS ONE 7(11): e49142. doi:10.1371/journal.pone.0049142.

¹⁹ <http://www.fauna-flora.org/initiatives/flagship-species-fund/>

²⁰ See footnote 18.

representative for the region, or if endangered species actually inhabit the areas. Considering the location of the license areas and the information at hand, the Council nevertheless finds it likely that the license areas contain important ecological values.

4.4 Clearing of peatlands

All three Globalindo concessions appear to have been located on peat swamp forest originally. The forest was logged before Genting Plantations acquired the concessions, but the peat remains (see Figure 5). More than 70 per cent of the license areas (39,500 hectares) are peatlands.²¹ Peat thickness varies, but includes 10,000 hectares of peat deeper than 4 m.

About 18,200 ha of PT Globalindo Agung Lestari of license area is planted with oil palm. A significant portion of PT Globalindo Agung Lestari overlaps with the Norway-Indonesia Moratorium, (see Figure 5, right picture) which comprises the deep peat in the concession. Also the PT Suraya Agro Palm concession in West-Kalimantan comprises a large area of peatlands (3,200 hectares, 1-2m deep) which is currently being developed.

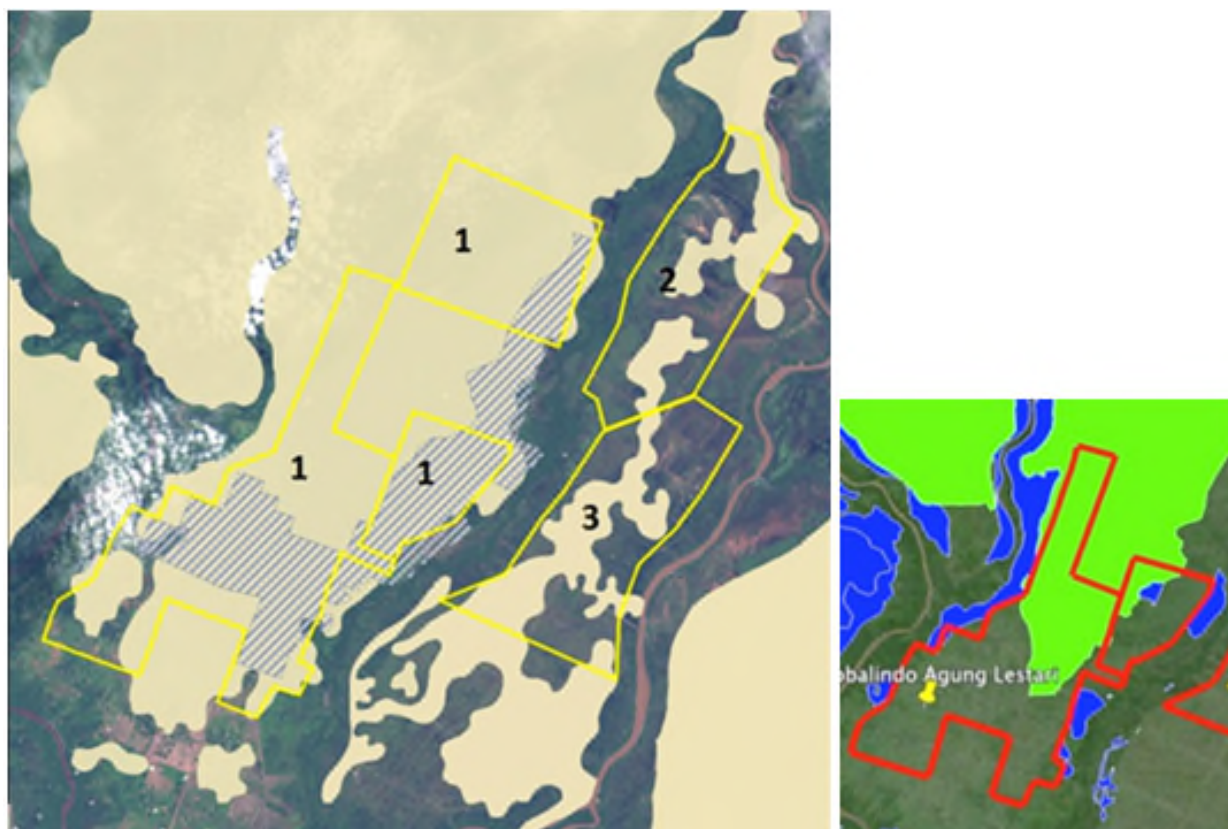


Figure 5: Left picture: The Globalindo license areas; Globalindo Agung Lestari (1), Globalindo Mitra Abadi Lestari (2) and Globalindo Investama Lestari (3). Light yellow areas are peatlands, shaded areas are cleared and planted areas and yellow lines are concession boundaries. Right picture: Globalindo Agung Lestari's license area (red line) where light green areas show the overlap with the Norway-Indonesia Moratorium (deep peat area)²².

The Indonesian legislation regarding the development of peatlands is complex, and it is not clear to the Council whether or not Genting Plantations is permitted to develop the deep peat.

²¹ Globalindo Agung Lestari: 28,400 ha, of which over 10,000 ha is deep peat, Investama Lestari: 6,300 ha and Globalindo Mitra Abadi Lestari: 4,800 ha

²² Central Kalimantan oil palm concession map, Provincial Plantation Office/Disbunprov2013. Peatland distribution map, Wetlands Internatioan 2002. Landsat 7 year 2008 and Landsat 8 year 2013, USGS.

The Norway-Indonesia moratorium aims to prevent the clearing of peatlands in general, but it is not binding and applies only to new licenses.

5 Information from the company

The Council contacted Genting in May and August 2012, and once more in March 2013, requesting information on the environmental and social impact of the company's plantation operations, including how the development of plantations will impact the natural forest, habitats and biodiversity, and how high conservation values are identified and protected within the concession. In December 2013, the Council sent the draft recommendation to Genting for review. In the following months, the Council contacted the company several times inviting the company to submit comments. Genting has not responded to the Council.

Genting Plantations' sustainability commitment is articulated in its Corporate Social Responsibility statement. The company aspires

*"... to achieve a balanced integration of ethical, social, environmental and economic considerations in the way we conduct our business to create sustainable long-term value for all stakeholders."*²³

Genting Plantations has been a member of the Roundtable for Sustainable Palm Oil (RSPO) since November 2006. In its 2012 Sustainability Report, the company states that it has been advancing steadily in aligning its own sustainability-oriented practices with the standards of the RSPO.¹⁴

*"A priority for us in the coming year is to ensure that our operating units comply with the regulatory requirements in the countries where we are operating in - including compliance with the mandatory ISPO [Indonesian Sustainable Palm Oil System] certification. We will also continue working towards meeting the requirements of the RSPO P&C [Principles and Criteria] by stepping up the implementation of more effective management systems in all areas of our business practices, including the enhancement of our operations to benefit the environment e.g. mapping out any fragile and sensitive areas, GHG [Green House Gas] emissions and better management of agrochemical inputs."*²⁴

As of present, none of Genting Plantations' estates have been certified. The company's target is to start the certification process for the Indonesian units in 2018 or 2019. The company states that it has carried out High Conservation Value (HCV) and social impact assessments and that the required safety and health and good agricultural practices are being implemented.²⁵

6 The Council's assessment

Based on the information presented above, the Council on Ethics has assessed whether there is an unacceptable risk that Genting is responsible for severe environmental damage through its subsidiary, Genting Plantations' development of oil palm plantations in Indonesia. The Council has concentrated its assessment on ten concessions where the conversion of forests and peatlands has recently been carried out or appears to be ongoing.

As Genting has not provided information on the location of its subsidiary's license areas or the type and condition of the forest and peatlands within the license areas, the Council has carried out its own research and based its assessment on the interpretation of satellite images, land

²³ Genting Plantations. Annual Report 2012.

²⁴ Genting Plantations progress report to RSPO 2011-2012,

²⁵ See footnote 23.

cover maps and available information in the academic literature. This information gives an indication of forest cover and categories, but it is not accurate enough to affirm with certainty the actual type and condition of the ecosystems within the concessions or the biodiversity that will be lost due to the conversion.

The Council's point of departure is that Genting Plantations' concessions are located in two important global ecoregions, the Bornean Lowland Rainforest Ecoregion and the Southwest Borneo freshwater Swamp Forest Ecoregion. In their natural state, these ecosystems have a rich biodiversity and normally support a wide range of endemic and threatened species.

The ten concessions that the Council has assessed, cover in total about 150,000 ha in West and Central Kalimantan. The Council's findings indicate that forests and peatlands have been cleared in seven of these concessions over the 2008-2012 period, totalling about 23,000 hectares, including lowland rainforest in good condition. Moreover, five of Genting Plantations' license areas are located on land which has been mapped as potential orang-utan habitat. Most of these areas have already been converted, except for one concession where the clearing is ongoing. Four of the license areas which currently are being converted include large areas of peatlands, including deep peat. One of these again falls under the Norway-Indonesia moratorium. These areas have been temporarily preserved by the Indonesian government to curb the conversion of forests and peatlands to plantations. Genting Plantations' conversion of forests and peatlands may not be illegal, as the moratorium only applies to new permits. Nevertheless, the Council finds the company's practices to be in conflict with both Indonesian initiatives and international agreements to stop the degradation and deforestation of tropical forests.

The actual condition of the forests and peatlands or the biodiversity within the concessions are not known, and consequently there is little data, if any, on what biodiversity will be lost in areas allocated to conversion. The Council has requested such information from Genting, including how high conservation values are identified and managed. The company has not responded to the Council.

Genting does not provide any substantial information on which measures the company has implemented, if any, to mitigate impacts on biodiversity associated with the conversion of forests and peatlands. Although the company states that it has carried out high conservation value areas assessments, it is not clear what the basis and extent of these assessments are and whether conservation areas are set aside. The company states that it will start the RSPO-certification process for its Indonesian units in 2018 or 2019. In the Council's view this is an exceptionally long-term goal for achieving sustainability practices, and does not ensure that important ecological values are conserved and maintained in Genting Plantations' license areas.

The basis for assessing the condition of the forest, biodiversity and ecosystems has been limited in this case. The Council finds that the company's lack of transparency, the fact that the concessions are located in regions with exceptionally rich and unique biodiversity, and that the company appears to be clearing forest in good condition and peatlands, entail an unacceptable risk that the conversion of forest to plantations will lead to severe and irreversible impacts on biodiversity and ecosystems in the region. The company does not provide information on conservation values within the concession and appears to have cleared ecologically important habitats. In the Council's view, the mitigation measures which the company states that it is implementing appear to be insufficient to reduce the risk of severe environmental damage associated with current and future conversion of forest into oil palm plantations.

7 Recommendation

The Council recommends to exclude Genting Berhad and Genting Plantations' Berhad from the Norwegian Government Pension Fund, due to an unacceptable risk of the companies being responsible for severe environmental damage.

Ola Mestad
Chair

(sign.)

Dag Olav Hessen

(sign.)

Ylva Lindberg

(sign.)

Marianne Olsson

(sign.)

Bente Rathe

(sign.)