

RepRisk Special Report

ASEAN Series: Indonesia

Foreword from the CEO

I am pleased to announce the release of the RepRisk Special Report on Indonesia, the first in our series on the Association of Southeast Asian Nations (ASEAN), an economic and political organization of 10 countries. Over the coming year, we will be publishing country reports on the other ASEAN member states.

The creation of the ASEAN Economic Community on November 22, 2015 has opened up exciting new opportunities for companies wishing to invest in, and trade with, this dynamic region in Asia. Its strategic location, abundance of natural resources, growing population, and expanding middle classes offers diverse investment opportunities for globally active companies. The creation of a unified market will enhance these opportunities and enable ASEAN to compete effectively in world markets.

With opportunities, however, come challenges as well. These include helping to ensure that all societies, including indigenous communities, will benefit from the economic expansion. Care must also be taken to preserve the region's resources and fragile ecosystems.

RepRisk's aim is to provide transparency and business intelligence that supports the effective management of environmental, social, and governance (ESG) and reputational risks in day-to-day business. We hope that this report sheds some light on the ESG issues, both within each individual country and within ASEAN as a whole.

Philipp Aeby
CEO, RepRisk AG

About RepRisk

RepRisk is a leading business intelligence provider, specializing in environmental, social, and governance (ESG) risk analytics and metrics.

Harnessing a proprietary, systematic framework that leverages cutting-edge technology and hands-on human intelligence in 15 languages, RepRisk curates and delivers dynamic risk information for an unlimited universe of companies.

Since 2006, RepRisk has built and continues to grow the most comprehensive ESG risk database that serves as a due diligence, research, and monitoring tool in risk management, compliance, investment management, corporate benchmarking, and supplier risk. The database currently includes risk profiles for over 60,000 public and private companies, 15,000 projects, as well as for every sector and country in the world.

Headquartered in Zurich, Switzerland, RepRisk serves clients worldwide including global banks, insurance providers, investment managers, and corporates, helping them to manage ESG and reputational risks in day-to-day business.

RepRisk provides the transparency needed to enable better, more informed decisions. For more information, please visit www.reprisk.com.

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ASEAN Overview

The Association of Southeast Asian Nations (ASEAN) was established on August 8, 1967 by Indonesia, Malaysia, The Philippines, Singapore and Thailand. Brunei, Vietnam, Laos, Myanmar and Cambodia later joined the alliance to form today's ASEAN bloc of 10 member states. The aim of ASEAN is to drive economic growth and promote peace and stability throughout the region of Southeast Asia.

The ASEAN bloc has a young, growing population of more than 600 million people, which provides an attractive workforce for manufacturing investment. The Economist also reports impressive domestic consumption and estimates that the region is the world's third-biggest market for mobile phones and the fifth biggest for automobiles.¹

In August 2015, the ASEAN secretariat reported sustained growth, and stated that the Association's GDP in terms of Purchasing Power Parity (PPP) had reached USD 6.64 trillion in 2014, contributing 6.1 percent of World GDP in PPP.²

On November 22, 2015 the 10 member states signed a declaration to establish

the ASEAN Economic Community (AEC) with the aim of creating a single market to allow a free exchange of goods, capital, and skilled labor in the region.

However, various civil society organizations have expressed concerns that this drive to create a business-friendly environment could marginalize local, small-scale farmers and potentially lead to an increase in land grabbing and the misuse of resources.

The food and beverage sector is an important one throughout the region, and ASEAN is the world's largest producer of crude palm oil as well as a major producer of rice. RepRisk has identified numerous incidents of environmental and human rights abuse linked to the expansion of palm oil plantations, and the use of forced labor in the fishing industry.

The forestry and paper sectors have also faced criticism from environmental groups, who claim that indiscriminate logging activities have led to a loss of biodiversity and rural employment, and disrupted the global carbon balance.

The utilities sector in the ASEAN bloc seems to be particularly exposed to risks, as it has been often alleged that the rights of local people have been ignored by companies engaged in the construction of hydropower plants on the region's complex river systems.

To coincide with the creation of the ASEAN Economic Community, over the coming months RepRisk will be taking a close look at the environmental, social, and governance (ESG) risks facing each individual member state of this new economic alliance.

In this first report, we have identified and assessed the ESG risks facing Indonesia, the largest economy in the ASEAN bloc. Indonesia is the fourth most populous country in the world – and the largest island country by number of islands – with a population of over 250 million people. The World Bank ranked the country as the world's 10th largest economy in terms of PPP in 2014, and predicted that the country's economic growth would increase by up to 5.5 percent in 2016-17, due to stronger foreign investments and exports.³

¹<http://aseaninsight.economist.com/2015/01/05/asean-as-one-country/>

²<http://www.asean.org/news/asean-secretariat-news/item/asean-gdp-grows-by-46>

³<http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015b/Global-Economic-Prospect-2015-East-Asia-and-Pacific-analysis.pdf>

Introduction

Indonesia, with a 2014 GDP of USD 888.5 billion and a population of over 250 million⁴, is the largest economy in the ASEAN Economic Community. When Joko Widodo was elected President of Indonesia on October 20, 2014, there were hopes that the new government would accelerate the reforms started by his predecessor, Susilo Bambang Yudhoyono. However, growth has been sluggish throughout 2015, and economists have urged Joko Widodo to abandon interventionist policies and concentrate on infrastructure spending and the implementation of regulations. In September, the government introduced a series of reforms aimed at stimulating the economy and improving the macroeconomic situation.

Although Indonesia has embraced democracy, the government is working to control corruption and ensure that the rights of its citizens are protected. The country has some of the most extensive and biologically diverse tropical forests in the world, which provide habitat for rare species of flora and fauna.

However, the past two decades have seen rapid and widespread degradation of Indonesia's resources. The World Resources Institute estimates that 10 million hectares of forest have been cleared by illegal logging activities. Tens of millions of Indonesians rely on the forests for their livelihoods, and there have been repeated reports that their rights are being abused.

RepRisk has identified the Paper, Food and Beverage, and Mining sectors as being the three most-exposed industries to environmental, social, and governance (ESG) risks.

This report outlines the ESG risks in each of these three sectors, and provides insight into the companies and projects that are exposed.



⁴ <http://www.worldbank.org/en/country/indonesia>

The risk incidents captured by RepRisk’s systematic and dynamic research process have identified the Paper sector as the industry most exposed to ESG risks in Indonesia. NGOs have continuously accused the sector of destroying the country’s rainforest and the habitat of endangered species such as the Sumatran elephant, the orangutan and the Sumatran tiger. The June 2014 edition of the monthly journal Nature Climate Change claimed that Indonesia had overtaken Brazil as the country with the world’s highest rate of annual loss of primary forest.

Although Indonesia signed the 2014 UN Declaration on Forests, which aims to restore degraded landscapes, NGOs have described the government’s law enforcement as being ineffective in stopping illegal plantations in primary forest areas.

The Rainforest Action Network highlighted Indonesia in its April 2015 “Out of Fashion” campaign and urged 15 retailers including Ralph Lauren, Prada, Michael Kors, and Guess, to eliminate rainforest destruction and human rights issues in their supply chains, claiming that many fabrics are made from tree pulp that originated from trees in Indonesia, Brazil, South Africa, and Canada.

RepRisk has identified Asia Pulp and Paper (APP), a subsidiary of the Sinar Mas Group, and Asia Pacific Resources International Holdings (APRIL), a subsidiary of the Royal Golden Eagle Group, as the most criticized companies in Indonesia’s paper sector.

Asia Pulp and Paper (APP)

The Indonesian Forum for the Environment accused APP of misleading society by endorsing the 2014 UN Declaration on Forests that aims to reduce natural forest loss by 50 percent by 2020. WWF Indonesia and the Kalimantan Forest Monitoring Group have claimed that APP has violated this commitment by clearing up to 1,400 hectares of natural forest.

A January 2015 report by Rainforest Action Network and other NGOs revealed that APP was facing hundreds of unresolved land conflicts in Indonesia.⁵ The report accused APP of clearing forests and peat land, land grabbing, and human rights violations. The environmentalist group, Wahana Bumi Hijau criticized APP for starting construction of the Oki Pulp Mill without obtaining the consent of affected communities. One month later, APP’s subsidiary, Wira Karya Sakti, was criticized for clearing

forests belonging to the Senyerang community in the Jambi province on the Island of Sumatra.

APP again faced scrutiny in April 2015 following the death of an Indonesia farmer two months earlier in the Jambi Province. The Guardian newspaper claimed that the farmer had had a confrontation with APP’s security guards and was later found dead with his hands and feet tied.

In September 2015, the Jambi Environmental Agency warned that air quality in the provinces of Sumatra and Kalimantan had reached dangerous levels due to widespread forest fires. Data from Global Forest Watch revealed that some of the fires had originated on the plantations of APP suppliers, including Romba Hutani Mas and Wirakarya Sakti. Another APP supplier, Bumi Mekar Hijau, is facing a USD 557 million lawsuit for allegedly causing fires across 20,000 hectares

Companies most associated with the paper sector in Indonesia Peak RRI; RepRisk Rating*

Asia Pulp & Paper Co Ltd (APP) RRI: 38; Rating: B
Asia Pacific Resources International Holdings Ltd (APRIL) RRI: 52; Rating: BB
Sinar Mas Group RRI: 35; Rating: CCC
Riau Andalan Pulp & Paper (RAPP) RRI: 25; Rating: B
Arara Abadi, PT RRI: 23; Rating: B

Projects most associated with the paper sector in Indonesia

Indah Kiat Pulp & Paper Factory
Lontar Papyrus Pulp Mill
Merauke Integrated Food & Energy Estate (MIFEE)
OKI Paper Mill
Indah Kiat Serang Mill

⁵http://www.ran.org/app_social_commitment_performance_2015_full_report

*Please find the definitions for the Peak RRI and the RepRisk Rating in the methodology section on page 10.

of South Sumatra. The dust particles from the fires were blamed for the high levels of pollution in the region.

In October, NGOs claimed that wide-scale deforestation by APP's Ogan Komering Illir Pulp Mill (OKI Mill) had left many peat lands at risk of fire and increased the risk of flooding during the monsoon season. At full capacity, the plant will reportedly consume 70,000 hectares of timber annually.

Asia Pacific Resources International Holdings (APRIL)

Although APRIL also pledged to cease destroying the rainforest, in September 2014, Greenpeace Germany accused the company of continuing to cut down large forest areas and called on the company's clients to boycott APRIL until it agreed to stop the destruction. Although some companies suspended orders from APRIL, the German retailer Papier Union was

criticized for continuing to source paper from the company.

Environmental groups have criticized the dissolving pulp operations of Toba Pulp Lestari (TPL), a company owned by the CEO of APRIL, for posing severe threats to the remaining forests of North Sumatra. The Rainforest Action Network accused TPL of destroying at least 17,000 hectares of natural forest and displacing over 13,000 indigenous people.

In December 2014, a BankTrack report⁶ accused APRIL of being involved in numerous land and social conflicts in Riau Province, which have allegedly caused injuries and even deaths of community members. The report criticized several European and Asian banks for financing APRIL's operations and also blamed APRIL's parent, the Royal Golden Eagle Group.

APRIL was again criticized in February 2015 for clearing thousands of hectares of natural rainforest and destroying deep peat land on Padang Island. It was also reported that APRIL plans to continue clearing forests and draining peat lands until 2020, which will exacerbate problems associated with the climate, forest fires, and floods.

NGOs linked to the paper sector in Indonesia
Greenpeace International
Eyes on the Forest
Rainforest Action Network (RAN)
Friends of the Earth Indonesia/Indonesian Forum for Environment (WALHI)

ESG Issues most associated with the paper sector in Indonesia
Impacts on Ecosystems and Landscapes
Impacts on Communities
Global Pollution (inc. GHG emissions and Climate Change)
Misleading Communication

ESG Topic Tags most associated with the paper sector in Indonesia
Endangered Species
Illegal Logging
Palm Oil
Indigenous People
Protected Areas

⁶ http://www.banktrack.org/download/bankingwithprinciples_humanrights_dec2014_pdf/hr_banking_with_principles_digital.pdf

Sector 2 Food and Beverage

Food and beverage is the second most exposed sector most exposed with respect to ESG risks, due to the proliferation of monoculture palm oil plantations and allegations of human rights abuse in the country's fishing industry. Reportedly, between 2000 and 2012, the palm oil industry was mainly to blame for the destruction of over six million hectares of Indonesia's tropical rainforest, and this, in turn, has caused a large increase in greenhouse gas emissions. The expansion of palm oil plantations has caused the destruction of rainforests, mangroves, and sensitive peat lands that are the habitats of endangered species.

PALM OIL

In February 2015, a report by TUK Indonesia and the Profundo research agency⁷ claimed that every year, an area as large as Bali is converted to oil palm plantations and identified 25 companies, including Wilmar Group, Sinar Mas Group, IOI Corp, Royal Golden Eagle Group, Batu Kawan Group, Salim Group, Jardine Matheson Group, and Genting Group as being the main companies in the sector. The report claimed that between 2009 and 2013, Citibank and others provided the 25 companies with loans worth USD 11.3 billion and underwrote shares and bonds amounting to USD 2.3 billion.

Investment banks such as HSBC have also been criticized for providing capital to the members of the Roundtable on Sustainable Palm Oil (RSPO), as Greenpeace and the World Wildlife Fund claim RSPO membership is not a reliable indicator that a company's activities are sustainable. According to

Greenpeace, RSPO members caused one-third of the hazardous forest fires in Sumatra in June 2013. Bumitama Agri remains an RSPO associate despite being convicted of illegally logging 7,000 hectares of forest. Friends of the Earth has also criticized US-based investment firm Dimensional Fund Advisors for investing at least USD 775 million in palm oil companies.

The Indonesian government is trying to tighten legislation, and in September 2014, the High Court of Banda Aceh upheld a USD 30 million fine against Kallista Alam, after the company was found guilty of destroying over 1,000 hectares of protected peat forest in the Tripa region of southern Sumatra.

Some companies such as Agropalma, DAABON, and New Britain Palm Oil are making strong commitments to clean up their palm oil production. However, some of the main players in the sector are apparently resisting change.

IOI Corporation Bhd (IOI), Kuala Lumpur Kepong Bhd (KLK), and Sime Darby are reportedly undermining the positive efforts by trying to weaken forest protection policies. NGOs are refuting the companies' claims that they have put forest destruction on hold. IOI continues to clear forests and peatlands in its Bumi Sawit Sejahtera concession in Western Kalimantan, and KLK refuses to give up its claim to land in Collingwood Bay, Papua New Guinea, despite opposition from indigenous communities. Sime Darby has just bought New Britain Palm Oil, one of the most progressive palm oil producers, but has not pledged to adopt the company's sustainability practices, fueling fears it could suppress the company's initiatives.

Some companies including Wilmar, Cargill, Asian Agri, and Musim Mas have pledged to stop buying and selling from companies destroying forest and peatlands, but NGOs fear that this is just "greenwashing." In September 2014, Greenomics Indonesia accused Wilmar's suppliers of continuing to clear high-carbon stock forests, despite Wilmar's "No Deforestation, No Peat and No Exploitation" policy.

Companies most associated with the food and beverage sector in Indonesia Peak RRI; RepRisk Rating*
Wilmar International Ltd RRI: 61; Rating: CCC
Sinar Mas Group RRI: 35; Rating: CCC
Cargill Inc RRI: 55; Rating: B
Nestlé SA RRI: 59; Rating: B
Unilever Group RRI: 59; Rating: B

Projects most associated with the food and beverage sector in Indonesia
Merauke Integrated Food & Energy Estate (MIFEE)
- Indah Kiat Pulp & Paper Factory - PT 198 Palm Oil Plantation (KLK) - Silver Sea 2 Ship
- Balikpapan Palm Oil Refinery - Kriangan Industrial Zone - Lontar Pongong Pulp Mill

⁷ <http://tuk.or.id/file/Summary%20of%20the%20tycoon%20study%20TuK%20INDONESIA%20.pdf>

*Please find the definitions for the Peak RRI and the RepRisk Rating in the methodology section on page 10.

In March 2015, Golden Agri-Resources faced criticism about its plans to expand 18 palm oil plantations in Kalimantan, and Global Witness accused the company of human rights abuses, land grabbing, violating plantation permits, and environmental devastation.

In April 2015, several companies, including Aloer Timur, a subsidiary of the Mopoli Raya Group, were criticized for operating in Indonesia’s Leuser Ecosystem, a high-conservation area covering over 6 million acres that provides clean water to millions of people in Aceh. In September 2015, the Rainforest Action Network criticized PT Tualang Raya of clearing lowland forests of the Leuser Ecosystem and called on Musim Mas Group, Wilmar International, and Golden Agri-Resources, the three biggest buyers of palm oil in the region, to take urgent action to protect the area.

The Rainforest Foundation Norway has criticized Jardine Matheson’s subsidiary, Astra Agro Lestari (AAL), for failing to join any sustainability initiatives. The company’s parent, Astra International, whose customers include Kuala Lumpur Kepong, Musim Mas, Wilmar, and Golden Agri-Resources, allegedly causes 2.0 million tons of greenhouse gas emissions annually.

Setia Agrindo Lestari (SAL), a subsidiary of First Resources, has also been criticized for abusing its land-clearing permits in Riau province and for using the police to raid the homes of local protestors.

In July 2015, the Forest Peoples Programme accused Wilmar and its subsidiaries of land grabbing. The activist group Lingkaran Advokasian Riset has also accused Wilmar’s supplier,

Swadaya Mukti Prakarsa, a subsidiary of First Resources, and Wilmar’s subsidiary, PHP1, of failing to consult with local communities.

Greenpeace has also linked Ganda Group subsidiary Asiatic Persada to forced evictions and claims that, in 2014, the company’s security forces killed one protestor and severely injured six others in a land conflict.

In August 2015, the NGO Grain raised grave concerns about a renewed effort to implement the 2.5-million-hectare Merauke Integrated Food and Energy Estate (MIFEE) being pioneered by Medco in the province of Papua, emphasizing that the project would partially destroy the Papuan tropical forest and threaten the livelihoods of approximately 50,000 people.

In October, the global movement SumOfUs criticized Felde Global Ventures (Felde), a company owned by Malaysia’s Federal Land Development Authority, for its plans to acquire

Eagle High Plantations in Indonesia. The organization accused Felde of hiring refugees who had been smuggled across borders, and claimed that some of the company’s labor suppliers confiscate workers’ passports, charge them for equipment used at the workplace, pay low wages, and illegally withhold salaries. Eagle High Plantations has been linked to the destruction of 6,000 hectares of rainforest in Papua and devastating the habitat of the endangered orangutan.

Greenpeace also and claimed that the company’s activities in Indonesia, through Citra Niaga, Temila Agro Abadi, and Landak Bhakti Palma, had contributed to the forest fires that were sending haze across South East Asia.

Multinationals including Ferrero, San Carlo, Eni, Bahlsen, Beiersdorf, Arthur Daniels Midland, Unilever, Kraft, Kellogg Pepsi-Co, Burger King, McDonald’s, and Yum! Foods (which owns Taco Bell, KFC, and Pizza Hut restaurants) have also been accused of fu-

ESG Issues most associated with the food and beverage sector in Indonesia
Impacts on Ecosystems and Landscapes
Impacts on Communities
Global Pollution (inc. GHG Emissions and Climate Change)
Human Rights Abuses and Corporate Complicity
Misleading Communication

ESG Topic Tags most associated with the food and beverage sector in Indonesia
Palm Oil
Endangered Species
Indigenous People
Forest Burning
Land Grabbing

eling deforestation in Indonesia by using palm oil in their food products.

FISHING

Indonesia's fishing industry has also recently been the subject of severe criticism. In March 2015, the Associated Press published the results of a year-long investigation that had uncovered shocking treatment allegedly suffered by workers on fishing boats that supply major supermarket and food service companies such as Safeway, Albertsons, Walmart, Costco, Carrefour, Kroger, Tesco, and Sysco. The workers, who had allegedly been transported via Thailand to the Indonesian island of Benjina, claimed that they had suffered beatings, had been locked in cages, and that the bodies of some of their colleagues had been thrown overboard after they had died from exhaustion or suffered execution-style killings at sea.

Following the accusations, Indonesia's Ministry of Maritime Affairs and Fisheries launched an investigation and in June 2015 revoked the licenses of Maritim Timur Jaya, Dwikarya Reksa Abadi, and Indojurong Fishing Industry on charges of tax evasion and poaching. The Indonesian Navy also seized the Silver Sea 2 refrigerated ship after satellite photographs linked its owner, Silver Sea Reefer Co, as well as Pusaka Benjina Resources, to trafficking of migrants. The authorities rescued more than 800 captives who claimed they had been kidnapped after arriving from Myanmar, Cambodia, Laos, and Thailand.

In May 2015, employees of Pusaka Benjina Resources were arrested following reports that they had held fishermen in a prison-like facility inside the company's compound on the Indonesian island of Benjina. The employees are currently facing charges of human trafficking in an Indonesian court.

A November 2015 report by Greenpeace⁸ revealed that human trafficking and forced labor was still rampant in Indonesia's fishing industry. The report claims that men from Myanmar, Cambodia, and Laos are still being trafficked to Indonesia's Maluku province to work on Thai-operated fishing vessels.

NGOs linked to the food and beverage sector in Indonesia

Greenpeace International

Roundtable on Sustainable Palm Oil (RSPO)

Rainforest Action Network (RAN)

Friends of the Earth Indonesia/
Indonesian Forum for Environment (WALHI)

WWF International

⁸ http://www.greenpeace.org/seasia/th/Global/seasia/2015/png1/Supply-chained_EN.pdf

Indonesia is one of the world's largest producers and exporters of coal, and the Ministry of Energy estimates that the country's coal reserves will last around 80 years at the current rate of production⁹. The three main regions for coal production are South Sumatra, South Kalimantan, and East Kalimantan. However, a December 2014 report by Greenpeace Southeast Asia¹⁰ claimed that Indonesia's coal mining boom had turned the country into the world's third-largest climate polluter, and warned that mining companies were causing floods, reduced access to water sources, and landslides, as well as contaminating rivers and coastal areas.

Grasberg Gold and Copper Mine

According to RepRisk's data, the Grasberg Gold and Copper Mine, owned jointly by Rio Tinto and Freeport McMoRan, is the most-criticized mining project in Indonesia. In May 2013, an accident caused the deaths of 28 miners; in January 2015, three security staff members were found dead with machete and bullet wounds; and in July 2015, a worker died after falling onto a conveyor belt. Furthermore, the mine has allegedly been disposing of tailings waste into a nearby river for decades.

Freeport McMoRan has also been accused of destroying 30,000 hectares of rainforest, contaminating the water sources of the Amungme and Kamoro tribes in Papua, and of using the military to guard its mining operations. The company has recently applied for

a mining contract extension, but opponents claim that future mining activities will not benefit the local communities. The company's plan to build a smelter on the Arafura coast is also facing strong opposition.

Rio Tinto is a supplier of Signet Jewelers Ltd. Earthworks is urging Signet to demand that Rio Tinto abide by Signet's commitment to responsible sourcing of metals.

Asam Asam Mine (South Kalimantan)

Water samples taken by Greenpeace at Arutmin's Asam Asam Mine in South Kalimantan have allegedly shown iron concentration 40 times above the legal limit as well as high levels of manganese. Greenpeace warned that the toxic water had already destroyed the local landscape and might further

endanger nearby communities. Water samples taken near Tanjung Alam Jaya's Concession were also found to be highly acidic and toxic to aquatic species, and severe acid mine drainage problems were found at the Banpu-Jorong concession, owned by Banpu and its subsidiary Jorong Barutama Greston.

Prima Cola Mine (East Kalimantan)

In December 2014, a BankTrack report accused Kaltim Prima Coal (KPC) of human rights abuses and massive environmental pollution at its Prima Coal Mine in East Kalimantan. KPC, owned by Bumi Resources and Tata India, has been accused of polluting the rivers and using vast amounts of water, which has caused health risks and loss of livelihoods for the local Dayak Basap community.¹¹

Companies most associated with the mining sector in Indonesia Peak RRI; RepRisk Rating*

Freeport-McMoRan Copper & Gold Inc (FCX) RRI: 44; Rating: BB
Rio Tinto Group RRI: 56; Rating: B
Freeport Indonesia RRI: 30; Rating: B
Newmont Mining RRI: 44; Rating: BB
BHP Billiton Group RRI: 62; Rating: CC

Projects most associated with the mining sector in Indonesia

Big Gossau Mine (Grasberg Gold & Copper Mining Complex)
Batar Hijau Copper & Gold Mine
Weda Bay Nickel Mine
Toka Tindung Gold Mine Project
IndMet Coal Project (Lampunut, Haju, Luon, Bumbun, and Juloi Northwest coal projects)

⁹ <http://www.indonesia-investments.com/business/commodities/coal/item236>

¹⁰ http://www.greenpeace.org/seasia/id/PageFiles/645408/FULL%20REPORT%20Coal%20Mining%20Polluting%20South%20Kalimantan%20Water_Lowres.pdf

*Please find the definitions for the Peak RRI and the RepRisk Rating in the methodology section on page 10.

Bangka Mine (Bangka Island)

Several NGOs, including Greenpeace and others, have accused Mikgro Metal Perdana (MMP), a subsidiary of the Aempire Resource Group, of destroying the environment on the small island of Bangka. Local residents fear that mining activities will impact the nearby Bunaken National Park, an international tourist attraction that hosts one of the world’s most valuable marine ecosystems. MMP, who has been accused of illegally employing 70 Chinese workers, is suspected of using corruption to obtain a mining license.

IndoMet Coal Project (East & Central Kalimantan)

BHP Billiton and Adaro Indonesia are facing continued criticism about their proposed IndoMet Coal Project, which foresees extracting up to ten million tons of coal a year. Apparently, 75,000 hectares of primary forest are located inside IndoMet’s concession area,

which reportedly also falls within the zone of WWF’s “Heart of Borneo” initiative. The area is a catchment for 14 major rivers that provide water to 11 million people. IndoMet has also been accused of using police to intimidate people into accepting a paltry price for their land to make way for the Haju Mine, which is part of the project. The Fossil Free UCL campaign has criticized the University College London (UCL) for its GBP 6 million association with BHP Billiton.

Other companies criticized for operating in Kalimantan include Karya Utama Tambang Jaya, a subsidiary of Harita Group’s Cita Mineral Investindo, which is allegedly operating outside its permitted boundary, and Cokal’s Bumi Barito Mineral Project, which will reportedly be located in a heavily-forested area.

In September 2015, the NGO Walhi East Java linked violence in the district of Selok Awar-Awar to Indo Multi Mineral Sejahtera’s sand mining opera-

tions. The NGO reported that a squad had beaten to death a farmer who was opposing the company’s activities and had seriously injured another protester. The local police are currently investigating the case.

ESG Issues most associated with the mining sector in Indonesia
Impacts on Ecosystems and Landscapes
Impacts on Communities
Local Pollution
Human Rights Abuses and Corporate Complicity
Waste Issues

ESG Topic Tags most associated with the mining sector in Indonesia
Indigenous People
Protected Areas
Land Grabbing
Endangered Species
Negligence

NGOs linked to the mining sector in Indonesia
Friends of the Earth Indonesia/Indonesian Forum for Environment (WALHI)
Mining Advocacy Network (JATAM)
IndustriALL Global Union
Global Justice Now (formerly World Development Movement (WDM))
London Mining Network (LMN)

¹¹http://www.banktrack.org/download/bankingwithprinciples_humanrights_dec2014_pdf/hr_banking_with_principles_digital.pdf

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METHODOLOGY

RepRisk Special Reports are compiled using information from the RepRisk database, which monitors environmental, social and governance (ESG) risks for companies, projects, sectors and countries. The RepRisk database currently contains risk incidents on over 60,000 public and private companies, as well as over 15,000 projects. RepRisk analysts monitor the issues related to ESG risk across a broad shareholder and other stakeholder audience of NGOs, academics, media, politicians, regulators and communities. Once the risk incident has been identified with advanced search algorithms and analyzed for its novelty, relevance and severity, risk analysts enter an original summary into the database and link it to the companies and projects in question. No article is entered twice unless it has been escalated to a more influential source, contains a significant development, or has not appeared for the past 6 weeks.

The RepRisk Index (RRI)

All data is collected and processed through a strictly rule-based methodology. This helps to ensure the balanced and objective rating and weighting of the risk incident, and thus the company's quantitative measure of risk exposure, the RepRisk Index (RRI). The RRI measures the risk to a company's reputation, not its actual reputation. The RRI ranges from zero (lowest) to 100 (highest). The higher the value, the higher the risk exposure. The Peak RRI denotes the value of the Peak RepRisk Index (RRI), which denotes the highest level of reputational risk exposure related to ESG issues over the last two years.

The RepRisk Rating

The RepRisk Rating combines the company-specific ESG-related reputational risk exposure (measured by the RepRisk Index, RRI) with the company's country-sector ESG risk exposure. It ranges from A (low risk exposure) to DDD (very high risk exposure).

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