

Open letter on the Omnibus Bill on Job Creation

The statement is endorsed by 36 investors representing approximately USD \$4.1 trillion in AUM

We, the undersigned global investors, are writing to express our concern over the proposed deregulation of environmental protections in the Omnibus Bill on Job Creation. While we appreciate the Indonesian government's efforts to align regulations and address bottlenecks to attract more foreign direct investment, we are concerned by certain modifications which could be potentially detrimental from an environment, social, and governance perspective if implemented.

Specifically, we fear that proposed changes to the permitting framework, environmental compliance monitoring, public consultation and sanctioning systems will have severe environmental, human rights and labor-related repercussions that introduce significant uncertainty and could impact the attractiveness of Indonesian markets¹. We recognize Indonesia's progress in protecting tropical forests in recent years, yet the proposed legislation could hamper these efforts.

Protecting tropical forests is vital for combating climate change, the degradation of ecosystems, and biodiversity loss, all of which pose systemic and material risks to our portfolios as well as to the health of our societies, economies, and environment. Additionally, the strong correlation between environmental degradation and the increased occurrence of zoonotic diseases² like Covid-19 reinforces investors' desire for a sustainable recovery from this pandemic that reduces the risk of future such events³.

Furthermore, the proposed regulatory changes risk undermining Indonesia's ability to meet its Nationally Determined Contribution to the Paris Agreement, with 60% of this contribution slated to come from the forestry sector.⁴ Failure to achieve the goals of the Paris Agreement poses a very real threat to the future stability and health of economies and society. Cutting emissions from land use change is key to meeting these goals and while Indonesia can play a pivotal role in this field it is currently at risk of failing to do so, threatening the success of the Agreement as a whole.

Efforts to stimulate foreign investment by weakening regulations, such as easing restrictions on clearing land in palm oil concessions, are counterintuitive in light of investors' growing desire for environmental protections and rising international demand for responsible commodity production and regulation on imported deforestation. The European Parliament is moving towards a legal framework to ensure deforestation-free supply chains⁵ and concerns over supply chain deforestation almost derailed the approval of the EU-Mercosur trade deal this year.⁶

Investors' concern over the risks posed by deforestation is only growing; last year over 250 global investors representing \$17.2 trillion in AUM called on companies to take urgent action to eliminate deforestation in their supply chains and across their industries.⁷

While the proposed regulatory changes aim to increase foreign investment, they risk contravening international best practice standards intended to prevent unintended harmful consequences from

¹ Of specific concern are: The OSS GR provision allowing projects to begin activities before an environmental and impact assessment is completed (Art. 38 OSS GR); Changes related to risk-based licensing that may lead to activities that carry significant risk being implemented without the required due diligence (Articles 9, 10, 11); The introduction of environmental approvals rather than environmental licensing (Article 14, 22 and 23 in the Omnibus Bill on Job Creation); Provisions that may prevent effective consultations and limit the capacity of affected communities and other stakeholders to provide feedback on proposed projects (Article 23 of Omnibus Bill on Job Creation, proposed deletion to Article 29, 30 and 31 of EPMA, proposed revision to Article 24 EPMA, proposed revisions to Article 26, 39 (1), 39 (2) of the 2009 EPMA, proposed revision to Article 1(12) and Art. 34 of the 2009 EPMA); Inconsistent land use planning provisions between the national and local level that may increase legal uncertainty (C.2.1), remove environmental and social licensing requirements for projects defined as having national strategic significance (C.2.2), and undermine the protection of forest areas by eliminating the 30% minimum limit for watershed and/or island areas (C.2.3); Centralizing decision making on approval of spatial plans, which may conflict with regional policies and priorities, with potentially adverse consequences for local communities (see Article 16(1)(2)).

² <https://www.unenvironment.org/resources/report/preventing-future-zoonotic-disease-outbreaks-protecting-environment-animals-and>

³ <https://www.bloomberg.com/news/articles/2020-06-05/investors-with-12-trillion-call-for-greener-eu-recovery-plan>

⁴ <https://www.sciencedirect.com/science/article/pii/S138993411830460X>

⁵ https://www.europarl.europa.eu/doceo/document/TA-9-2020-0005_EN.html

⁶ <https://news.mongabay.com/2020/07/worlds-biggest-trade-deal-in-trouble-over-eu-anger-at-brazil-deforestation/>

⁷ https://d8g8t13e9vf2o.cloudfront.net/Uploads/r/g/s/investorstatementondeforestationandforestfiresintheamazon_29_oct_2019_665598.pdf

business activities⁸ that could deter investors from Indonesian markets. As investors, we are concerned that this deregulation will negatively impact both investee companies and our portfolios overall by potentially increasing the reputational, operational, regulatory, and climate risks posed to companies operating in Indonesia. Robust policies to protect forests and human rights are key solutions to managing these risks and contribute to efficient and sustainable financial markets in the longer term. Instead of rolling back these regulations, we urge you to take a longer-term perspective and adopt a “green” recovery plan to address the economic devastation caused by the pandemic.

We urge the government of Indonesia to:

- Preserve and advance legislation that supports the conservation of forests and peatlands
- Retain and strengthen legislation that upholds human rights and the customary land rights of Indigenous peoples, honoring the principle of Free, Prior and Informed Consent
- Hold proper consultations with environmental and civil society groups and investors on the Omnibus Bill on Job Creation before further progressing its implementation
- Retain a long-term view when developing plans for economic recovery from Covid-19, ensuring social and environmental considerations are central to Indonesia’s recovery

Economic development and protection of the environment need not be mutually exclusive; however it is important for the country to demonstrate that the requisite checks and balances and necessary audits are in place under the Bill to ensure no negative impact on the environment through business activities.

To this end, we request a video call to discuss our position and how we can work together to develop a way forward on these issues.

Signed by:



a.s.r. asset management



ACTIAM



Aviva Investors



BMO Global Asset Management

⁸ Standards include [International Finance Corporation Standards](#), [OECD Due Diligence Guidance for Responsible Business Conduct](#) and [United Nations Guiding Principles on Business and Human Rights](#)



Boston Common Asset Management



Christian Super



Church Commissioners for England



The Church of England Pension Board



Congregation of Sisters of St. Agnes



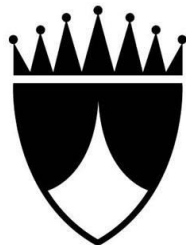
Dana Investment Advisors



Domini Impact Investments LLC



Dominican Sisters ~ Grand Rapids



Dominican Sisters of Mission San Jose



Dominican Sisters of San Rafael

Figure 8 Investment Strategies



Green Century Capital Management



Karner Blue Capital



Legal & General Investment Management



Maitri Asset Management



Future Super



Indép'AM



KLP



Local Authority Pension Fund Forum



NN Investment Partners



OP INVESTMENT MANAGEMENT

OP Investment Management



Pax World Funds



Religious of the Sacred Heart of Mary Western
Province



Robeco



Seventh Generation Interfaith, Inc.



The Sister of St. Francis of Philadelphia



Sisters of St. Joseph of Orange



Skye Advisors LLC



Socially Responsible Investment Coalition



Storebrand Asset Management



Sumitomo Mitsui Trust Asset Management



Trillium Asset Management