

Investment Stewardship

Vote Bulletin: PT Astra Agro Lestari Tbk

Company	PT Astra Agro Lestari Tbk (Indonesia Exchange: AALI)
Market and Sector	Indonesia, Consumer Staples
Meeting Date	3 April 2023
Key Resolutions ¹	Item 3: Elect Directors and Commissioners and Approve Their Remuneration
Key Topics	Natural capital, company impacts on people
Board Recommendation	The board recommended shareholders vote FOR Item 3
BlackRock Vote ²	BlackRock voted AGAINST Item 3

Overview

PT Astra Agro Lestari Tbk (AAL) is an Indonesian palm oil company. AAL is a subsidiary of Astra International, an Indonesian conglomerate with interests in various sectors, including automotive, agribusiness, heavy equipment, mining, energy, financial services, information technology, and infrastructure & logistics. Astra International has a 79.9% controlling stake in AAL which reduces the impact of feedback from unaffiliated or minority investors.

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that in our assessment can impact their ability to deliver durable financial performance for long-term investors like BlackRock's clients. BIS also engages to provide a long-term investor perspective on corporate governance practices.

Our engagements with AAL's management over the past several years have covered a range of topics, including the company's approach to natural capital and the company's impact on people, including human rights.

¹ PT Astra Agro Lestari Tbk, "2023 Notice of Annual Meeting of Shareholders"

² BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock's [Voting Choice](#) program, eligible clients can also retain their voting rights or vote their shares in line with their preferences by selecting one of 14 third-party policies. 47% (\$1.8 trillion of \$3.8 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the \$1.8 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data from January 1, 2022 through September 30, 2022.

In particular, since 2021, our engagements have focused on understanding the company's management of material palm oil production-related risks^{3,4} and opportunities.

In 2022, based on our analysis of AAL's disclosures, BIS determined that the company could improve their transparency on how management was addressing material palm oil production-related risks. However, there were no directors or commissioners standing for election at the company's April 2022 annual general meeting (AGM). We signaled our concerns instead by not supporting the election of the directors and commissioners at AAL's parent company, Astra International, given they have oversight responsibilities of AAL as a subsidiary.

Rationale for BlackRock's vote

Item 3: Elect Directors and Commissioners and Approve Their Remuneration⁵ (AGAINST)

Based on our analysis, the company could further improve transparency on their management of material sustainability-related risks associated with the production of palm oil. To signal our concerns, BIS did not support the bundled proposal on the election of the board of directors and commissioners.

BIS welcomed the steps AAL has taken in the last year to increase transparency about the allegations of improper business conduct in its operations,⁶ including a commitment to hire an independent consultant to conduct a field verification of these allegations⁷ and address any findings of the review.

However, the company's current and historic disclosures do not provide shareholders sufficient insight into the risks and liabilities relating to the potential adverse impacts associated with their palm oil operations such as allegations that AAL had seized land from local farmers, operated with poor environmental standards, and was implicated in human rights abuses in 2020.⁸ However, the company and parent company did not respond to these allegations until AAL's first public statement in October 2022.⁹

The company has recently faced heightened scrutiny on their handling of the allegations after several large consumer companies announced their decision to stop sourcing palm oil from AAL's impacted subsidiaries. Those decisions indicate that AAL's delayed response to addressing the 2020 allegations exposed them to material risks that could negatively affect the financial performance of the company.

As a result, BIS did not support the election of the board of directors and commissioners at the 2023 AGM. In our view, the company could further improve their transparency about these material operational risks and put in place practices that support responsible business conduct. While we might otherwise have supported management this year and monitored progress on the commitments made over the past year to enhanced transparency, we were concerned that the next opportunity to vote on the election of AAL's directors and commissioners will be in 2026 as they have three-year terms. Given the material risks arising if the company doesn't take meaningful action, we voted to signal our concerns this year about the board's oversight of

³ Friends of the Earth United States & Wahana Lingkungan Hidup Indonesia, [No Consent: Astra Agro Lestari's land grab in Central and West Sulawesi](#), Indonesia, March 2022

⁴ Allegations from a collection of Indigenous Peoples and civil society organizations have included: seizing land from local farmers, poor environmental standards, and human rights abuses. [Open Letter from Indigenous Peoples and civil society organizations to consumer goods companies re: ongoing criminalization, human rights abuses, and land grabbing by Astra Agro Lestari and subsidiaries](#)

⁵ The election of directors and commissioners and the approval of their remuneration are voted on together as part of a single resolution.

⁶ PT Astra Argo Lestari Tbk, [Sustainability Statements](#)

⁷ PT Astra Argo Lestari Tbk, [Joint Statement AAL & EcoNusantara: Appointment of an Independent Third Party](#), March 31, 2023

⁸ Wahana Lingkungan Hidup Indonesia, [Fact sheet of violations committed by PT Astra Agro Lestari](#), October 15, 2020

⁹ PT Astra Agro Lestari Tbk [Response to the Allegations of Land-Use & Environmental Abuses](#), October 2, 2022

management's approach to addressing business risk. In our view, doing so was aligned with the long-term financial interests of our clients as shareholders.

As an asset manager and fiduciary to our clients, the majority of whom are long-term investors, we appreciate engagement with AAL and Astra International's management. We plan to continue engaging them on these issues, as well as their sustainable palm oil program and commitments to produce timely, fulsome disclosures on their policies and performance concerning the allegations of their business misconduct.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders as appropriate. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability-related risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.¹⁰

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with durable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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¹⁰ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.