



TEMPLATE LETTER SENT TO PALM OIL PRODUCERS

December 3, 2013

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Dear CEO,

The undersigned investors believe that companies that attend to environmental and social risks may enjoy competitive advantages. The undersigned investors representing approximately \$270 billion in assets under management are writing to urge [COMPANY] to join efforts led by major palm oil producers, traders, consumers, and financiers to mitigate the serious risks associated with current palm oil development practices by adopting policies to eliminate deforestation, peatland conversion, and exploitation of local communities.

The production of palm oil is associated with significant impacts on communities and the environment, exposing companies that do business with the palm oil industry to significant brand and reputational risks. Consequently, major companies that purchase palm oil or finance palm oil activities have pledged to only support the development of palm oil that is verified as not contributing to deforestation, development on peat, or human rights violations. We urge [COMPANY] to meet shifting market preferences by adopting policies for growing and sourcing palm oil that conserve forests and peatlands, and protect local peoples and communities, and to support industry initiatives in that direction.

Palm oil is the most widely used vegetable oil in the world, and is too often produced under socially and environmentally degrading conditions. Approximately 85% of palm oil is grown in Indonesia and Malaysia, and is a leading driver of deforestation in those areas. Due to high levels of deforestation and conversion of carbon-rich peatlands, Indonesia was, by a 2007 World Bank estimate, ranked the 3rd largest emitter of GHGs globally. The palm oil industry is also listed as one of the most notorious for using child and forced labor, according to the U.S. Department of Labor. A recent Bloomberg Businessweek exposé detailed evidence of slavery on palm oil plantations by a companies that supply palm oil to some of the world's largest brands, raising the profile of this issue and heightening the reputational and businesses risks to companies doing business with the palm oil industry.



We believe these problems are impeding the ability of the palm oil industry to gain market access to companies and consumers who are increasingly attentive to issues around deforestation and exploitation.

While the RSPO has important provisions aimed at addressing social and sustainability concerns, it is increasingly recognized as insufficient for enforcing supplier compliance and preventing deforestation by allowing activities like conversion of ultra carbon-rich peatland and high carbon stock forests¹. Consequently, the palm oil industry is facing valid pressure to go beyond RSPO standards – and we believe it can do so.

Major companies such as Nestlé and Unilever have made time bound commitments for purchasing palm oil traceable to suppliers verified by credible third parties as not engaged in (1) deforestation, (2) development on peat, (3) human rights violations including child and forced labor, and eliminating suppliers who do not meet these standards. The undersigned investors urge [COMPANY] to adopt a policy for growing and supplying palm oil in accordance with the following principles:

1. No deforestation or peatland development

- a. Protection of High Carbon Stock and High Conservation Value lands
- b. No Burning
- c. Greenhouse Gas Emissions Reductions
- d. No development on peat regardless of depth;
- e. Best management practices for existing plantations on peat and;
- f. Peat restoration, where feasible

2. No exploitation

- a. Respect for land tenure rights and rights of indigenous and local communities to give or withhold their Free, Prior, and Informed Consent to operations on lands to which they hold legal, communal or customary rights;
- b. Respect and recognition of workers' rights
- c. Open and transparent conflict resolution process

[COMPANY] has an opportunity to demonstrate its commitment to sustainable development, and position itself as a leader on this issue.

¹ Skinner, Benjamin (July, 2013). Indonesia's Palm Oil Industry Rife with Human-Rights Abuses. Bloomberg Businessweek. <<http://www.businessweek.com/articles/2013-07-18/indonesias-palm-oil-industry-rife-with-human-rights-abuses>>



We welcome the opportunity to discuss steps [COMPANY] can take to develop the sustainable production of palm oil. Please contact Lucia von Reusner lvonreusner@greencentury.com to discuss this issue further.

Sincerelyⁱ,



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Green Century Capital Management

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¹ This is a partial list of signatories