



September 8, 2014

Mr. Roy Lim Kiam Chye
Group Plantations Director and Executive Director
Kuala Lumpur Kepong Berhad
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Dear Mr. Kiam Chye Lim,

Over the past year, investors have seen rapid movement from companies to meaningfully address global concerns around the ongoing deforestation for palm oil. Led by Wilmar, Golden Agri-Resources, Nestle, and Unilever, major companies in the palm oil supply chain are working to ensure that the palm oil they purchase or sell can be traced back to plantations independently verified as not developing High Carbon Stock (HCS) or High Conservation Value (HCV) forests or peatlands, and not engaging in human rights abuses. Many of these companies currently purchase palm oil from Kuala Lumpur Kepong Berhad (KLK), and have pledged to decouple their palm oil supply chains from deforestation.

The undersigned institutional investors representing over \$600 billion in assets under management are writing to urge KLK to adopt an immediate moratorium on clearance of any potential HCS areas and peat land areas, and to adopt a time-bound plan by which all palm oil supplied by KLK and its third-party contractors will be traceable back to plantations that meet the above criteria for protecting forests, peatlands, and human rights.

Palm oil is an extremely versatile and valuable commodity that has the potential to contribute significantly to local communities and economies. Current production practices, however, severely degrade the environment and fail to protect worker and community rights. Due largely to palm oil expansion, Indonesia had the highest rates of deforestation globally in 2012ⁱ and experienced a public health emergency in 2014 due to haze from burning forests and peatlands.ⁱⁱ The palm oil industry is also listed as one of the most notorious for using child and forced labor, and Bloomberg Businessweek recently profiled Kuala Lumpur Kepong in an exposé detailing evidence of slavery on palm oil plantations.ⁱⁱⁱ

The adverse impacts of palm oil development on deforestation and human rights have captured the public's attention, creating significant brand and reputational risks for companies that do business with the palm oil industry, as well as to their shareholders.

To address these risks, many of the world's top palm oil consuming companies such as Nestle, Unilever, Procter & Gamble, and Colgate-Palmolive have taken steps to decouple their palm oil supply chains from deforestation. Specifically, these companies have pledged to only purchase from suppliers that can provide palm oil fully traceable back to plantations independently verified as not contributing to

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clearance of HCS or HCV forests or peatlands, and not engaging in human rights abuses. Responding to these expectations, major suppliers including Wilmar and Golden-Agri Resources, have captured a first mover advantage by pledging to develop supply chains that meet these criteria.

We believe companies that fail to effectively and transparently address the adverse impacts associated with palm oil development face increasing business and reputational risks, including loss of access to key markets increasingly attentive to issues around deforestation and exploitation.

Consequently, the undersigned investors urge Kuala Lumpur Kepong Berhad to join industry leaders in adopting a time-bound policy that applies across the company's entire supply chain for growing and supplying palm oil in accordance with the following principles:

1. No deforestation or peatland development

- a. No clearance or degradation of primary and secondary forests, including HCS and HCV areas;
- 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.

While we understand that Kuala Lumpur Kepong Berhad has joined five other palm oil growers in developing the Sustainable Palm Oil Manifesto, we are concerned that the Manifesto allows for ongoing deforestation as its members seek to establish their own threshold for defining HCS forests, does not apply across the Company's entire supply chain to include third-party suppliers, and has no timeline for compliance. Consequently, it does not sufficiently address key risks and controversies associated with palm oil development.

Over the next few months, heads of state and business leaders from around the world are coming together to tackle the urgent global challenges posed by climate change. As one of the world's largest palm oil producers, Kuala Lumpur Kepong Berhad has an opportunity to position itself as a leader on this issue and demonstrate its commitment to sustainable development.

We welcome the opportunity to discuss steps Kuala Lumpur Kepong Berhad plans to take to advance the development of fully traceable, deforestation-free palm oil supply chains.

Sincerely,

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Green Century Capital Management

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Local Authority Pension Fund Forum

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ⁱ<http://www.theguardian.com/environment/2014/jun/29/rate-of-deforestation-in-indonesia-overtakes-brazil-says-study>

ⁱⁱ<http://www.theguardian.com/environment/2014/mar/14/fires-indonesia-highest-levels-2012-haze-emergency>

ⁱⁱⁱ<http://www.businessweek.com/printer/articles/136552-indonesias-palm-oil-industry-rife-with-human-rights-abuses>