

Institutional investors call on palm oil producers to adhere to RSPO principles as next phase of engagement begins

LONDON, 16 July 2013 – *In light of the recent forest fires in Indonesia, a coalition of signatories to the Principles for Responsible Investment (PRI) managing more than \$2 trillion today called for palm oil companies to adhere to the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria. Several members of the PRI's Sustainable Palm Oil Investor Working Group, who include APG, Arisaig Partners, Aviva Investors, Christian Super, First State Investments, Generation Investment Management, Hermes Equity Ownership Services, PGGM, MN, and Trillium Asset Management, expect all palm oil companies to adopt sustainable agricultural practices, become members of the RSPO and adopt a timebound plan to certify all their plantations. Currently, approximately 15% of total palm oil production is certified as sustainable, leaving investors in palm oil companies and their supply chains exposed to significant financial, legal and reputational risk.*

Forest fires have been burning out of control in Sumatra in the past two weeks, leading to record levels of pollution in Singapore and Malaysia, forcing an apology from the Indonesian President Susilo Bambang Yudhoyono. Although open fires are not permitted under the RSPO Principles and Criteria, the World Resources Institute estimates that approximately 20% of the devastating June fires have occurred on palm oil plantations or concessions.

The Working Group supports the decision of the RSPO to direct member companies that are implicated in the fires to submit digital maps of their plantations in Sumatra and Kalimantan. It also endorses the recent statement by the Secretary General of the RSPO, Mr. Darrel Webber, which indicated that strong measures would be taken against any RSPO members that fail to provide such maps.

“Our members are invested in all parts of the palm oil value chain and are making it clear to our investee companies that we believe long term investment returns will be enhanced and risks reduced by committing to and implementing sustainable practices as outlined by the RSPO,” said Mark Mills, Chair of the PRI's Sustainable Palm Oil Investor Working Group and Partner, Generation Investment Management. “Investors have an important role to play in restricting the supply of capital to those who do not adhere to such principles of sustainability. The damage to the brand and reputation of companies implicated in this transgression is potentially enormous”.

In this next phase of its engagement, the Working Group will write to plantation owners, refiners, traders, processors, buyers and others in the palm oil supply chain to encourage them to take responsibility and ensure their supply chains are not contributing to this problem.

As an immediate response to the forest fires, it calls on all companies involved in the palm oil value chain to:

- Become members of the RSPO and comply with the RSPO standard
- Submit digital maps for existing plantations within their license areas as requested by RSPO

The Working Group will continue to engage the relevant companies in their portfolios, asking for clear commitments and transparency on implementation of the RSPO standard.

About the PRI's Sustainable Palm Oil Investor Working Group

The Sustainable Palm Oil Investor Working Group (IWG) is made up of 25 investment organizations, representing assets under management of over \$2 trillion, which are members of the United Nations-supported Principles for Responsible Investment (PRI). The group is currently engaging with 20 companies to seek improvements in policies and processes that support the development of a sustainable palm oil industry through the work of the Roundtable on Sustainable Palm Oil (RSPO). The industry continues to face significant difficulties – including allegations of forest clearing and social injustice by plantation companies, and the low uptake of Certified Sustainable Palm Oil by palm oil purchasers. These challenges pose reputational and business risks for palm oil producers and purchasers.

More background about the group's work can be found in this position paper.

Sustainable palm oil is one of 15 priority engagement topics that the PRI is supporting signatories to carry out through its Clearinghouse platform over 2012-15. Further details are available on the PRI website.

The working group includes the following investors:

- APG Asset Management
- Allianz Global Investors
- Arisaig Partners
- Aviva Investors
- Boston Common Asset Management
- Christian Super
- DNB
- Ecofi Investissements
- First State Investments
- Generation Investment Management
- Hermes Equity Ownership Services
- LAPFF
- Local Government Super
- MN
- NEI Investments

- Nelson Capital Management
- PGGM Investments
- RobecoSAM
- Swedbank Robur
- Trillium Asset Management
- Triodos Investment Management
- Union Investment

About the Principles for Responsible Investment

The Principles for Responsible Investment Initiative (PRI) is a network of international investors working together to put the six Principles for Responsible Investment into practice. The Principles were devised by the investment community. They reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework for all investors to incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large.

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