



TEMPLATE LETTER SENT TO MAJOR PALM OIL FINANCIERS

December 3, 2013

ADDRESS

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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 are writing to urge [COMPANY] to support efforts led by major palm oil traders, producers and consumers to mitigate serious risks associated with current palm oil development practices by adopting policies to eliminate deforestation, peatland conversion, and human rights abuses.

The production of palm oil is associated with significant negative impacts on communities and the environment including tropical deforestation, high greenhouse gas emissions, and human rights violations. Companies that finance these activities are exposed to notable business risks. Consequently, we urge [COMPANY] to adopt a policy for ensuring financed palm oil companies adhere to high standards for sustainable development that protect forests, peat, and communities.

Palm oil is the most widely used vegetable oil in the world, and is too often produced under socially and environmentally degrading conditions. 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 greenhouse gases 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 further documented detailed evidence of slavery on palm oil plantations by 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.

Financial institutions are increasingly held responsible for incorporating environmental and social risk assessments into their due diligence processes. Given the controversies associated with the palm oil industry, incorporating a strong environmental and social risk assessment framework into the company's due diligence process is critical for mitigating adverse project impacts on communities and the environment. Failure to do so risks implicating project financiers as responsible for financing environmentally and socially destructive activities, exposing financiers to significant brand and reputational damage as a result. Several major



financial institutions including Citi and more recently HSBC have become the targets of public campaigns for financing deforestation.

To address the social and environmental concerns associated with palm oil production, the Roundtable on Sustainable Palm Oil (RSPO) was formed in 2004. Many companies, including some of our company's competitors, adopted policies for ensuring financed projects adhere to RSPO standards. Although such policies are an important first step, the RSPO is widely recognized by most major environmental organizations as insufficient for enforcing supplier compliance and preventing deforestation by allowing activities like conversion of ultra carbon-rich peatland and high carbon stock forests.¹ Consequently, companies need to go beyond RSPO in order to verify that financed activities do not include illegal deforestation and human rights violations.

The undersigned investors urge [COMPANY] to adopt a policy for ensuring financed palm oil companies adhere to the following principles:

1. **No deforestation**
 - a. Protection of High Carbon Stock and High Conservation Value lands
 - b. No Burning
 - c. Greenhouse Gas Emissions Reductions

2. **No development on peat**
 - a. No development on peat regardless of depth;
 - b. Best management practices for existing plantations on peat and;
 - c. Peat restoration, where feasible

3. **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 supporting sustainable development and tackling climate change, and position [COMPANY] 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 support the sustainable production of palm oil. Please contact Lucia von Reusner lvonreusner@greencentury.com to discuss this issue further.

Sincerelyⁱ,



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ⁱ 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>>