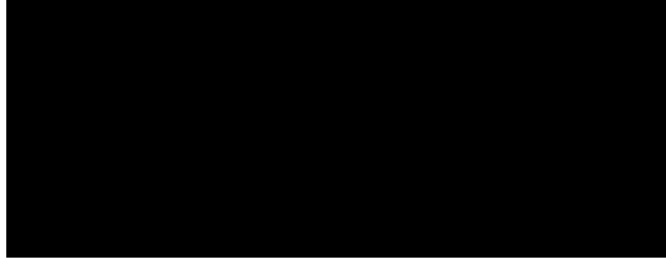


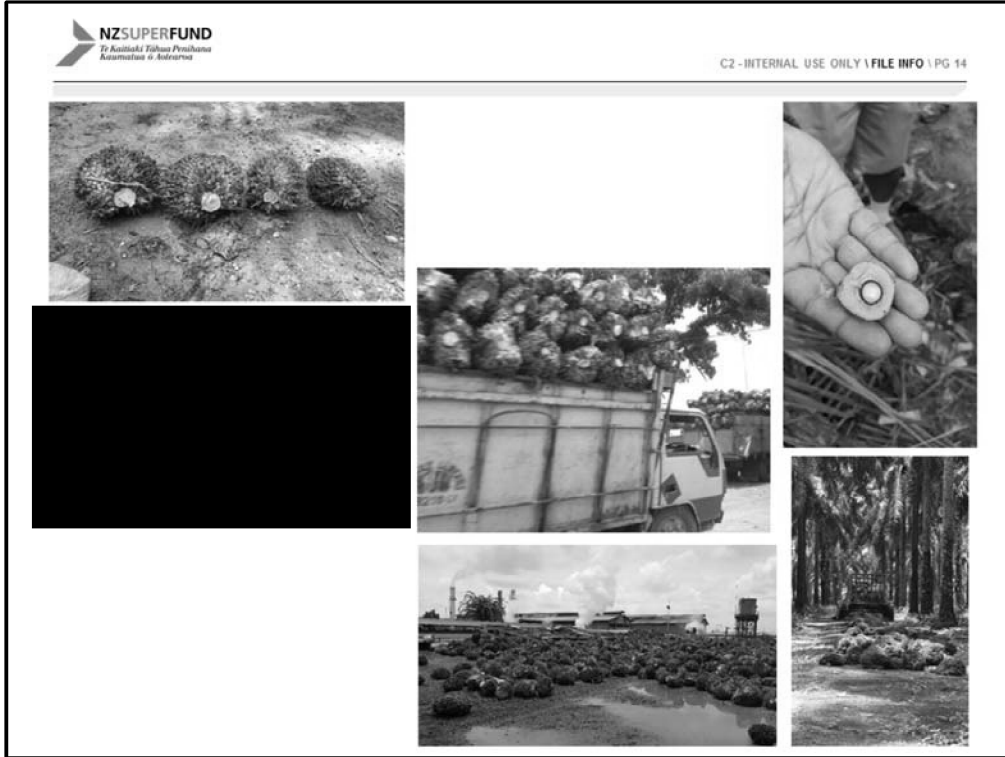
## A few pics



**Jakarta traffic**







## Meetings held

### ■ NGOs

– WWF

– [REDACTED]

### ■ Government Officials

– [REDACTED]

### ■ Companies

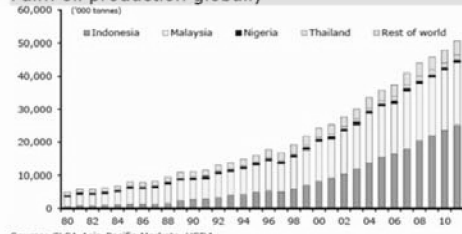
– [REDACTED]



# Palm oil market

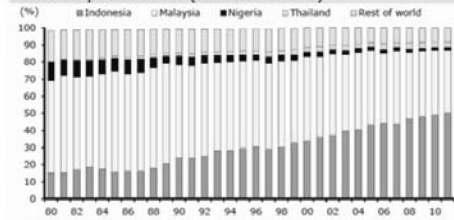
Palm oil is a mature and expansive market... But at what cost?

Palm oil production globally



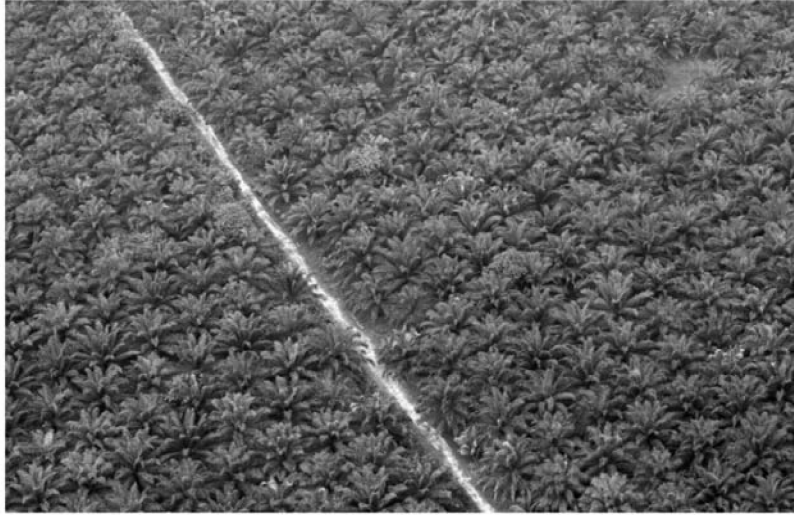
Source: CLSA Asia-Pacific Markets, USDA

Palm oil production (market share)



Source: CLSA Asia-Pacific Markets, USDA

## A departing thought....



**Investment Forum Presentation – UNPRI Investor Trip to Indonesia RE: Palm Oil – Version 2 (Revised Version shared with CFIs)**

<b>Document Reference</b>	<b>Document Date</b>	<b>Document Title</b>	<b>Sections Relevant to Request</b>	<b>Released</b>	<b>Reason/s for withholding</b>	<b>Ref. page in Appendix I</b>
2030729	2016-10-17	Investment Forum Presentation – UNPRI Investor Trip to Indonesia RE: Palm Oil – Version 2 (Revised Version shared with CFIs)	All	Partially withheld	Section 9(2)(a) Section 9(2)(b)(ii) Section 9(2)(ba)(i) Section 9(2)(g) Section 9(2)(i)	Page 28



TITLE:

## **UNPRI investor trip to Indonesia re. Palm Oil**

**September 2016**

AUTHOR:



EVENT | PRESENTATION:

**Investment Forum, 22 September 2016**

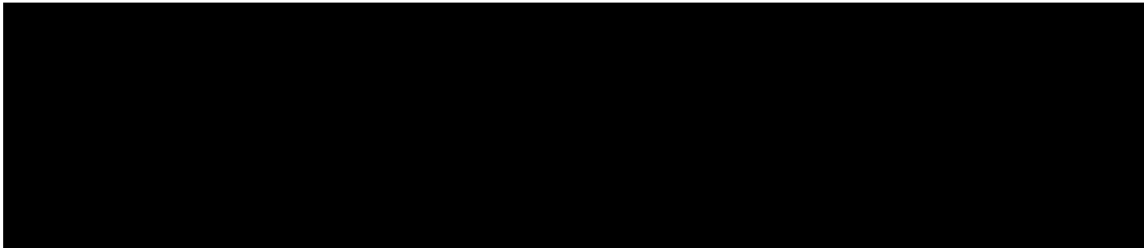
**NZSUPERFUND**  
Te Kaitiaki Takekaiwhiri  
Kaitiaki Takekaiwhiri

C2 - INTERNAL USE ONLY | FILE INFO | PG 2

## Our interest in the issue

- GNZS part of the UNPRI Palm Oil Working Group since its inception in 2011
  - Goal: Prohibit palm oil being grown in forest land, peat land and without abuse of human rights
  - Early engagements targeted buyers
  - Latterly engagements targets growers, traders and processes
- Government Pension Fund of Norway divested from 4 companies in August 2015: Posco, Daewoo International, IJM and Genting
- Sourcing of Palm Kernel Extract (PKE) for our farms

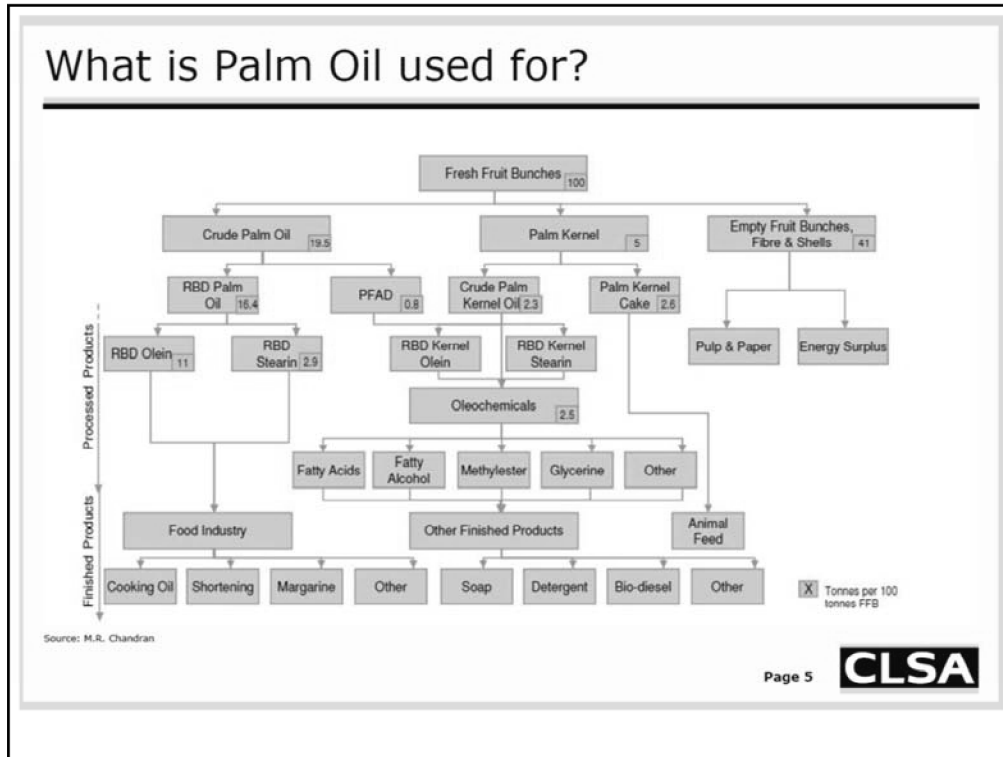
- 1.
- 2.
- 3.



4. GPFN divested from these 4 companies due to concerns that they are creating severe environmental damage as they convert tropical forest into palm oil plantations
5. PKE is basically the crushed up pip of the palm fruit.
6. Its used as a supplementary feed for cows. Over the last 12 or so years, New Zealand's annual use of PKE has gone from nothing to over two million tonnes.
7. Press interest in the issue in NZ. Fonterra has created a voluntary guidelines for the use of PKE. They recommended maximum of 3kg/per day/per cow.
8. Landcorp has committed to phasing out use of PKE on their farms after June 2017.

Farmers have used the product because it is so easy to use, requiring minimal infrastructure, and without the animal health problems that can occur with grain, brassicas and fodder beet.

From a farmer perspective, it is a great feed for dealing with feed deficits in the shoulder seasons, when animal demands exceed pasture growth. And its popularity has been driven in particular by its value as a flexible drought feed.



WWF estimates 50 per cent of products in the supermarket contain palm oil (<http://www.worldwildlife.org/pages/which-everyday-products-contain-palm-oil>). That includes hair conditioner, toothpaste, lipstick, soap, detergent, chocolate, ice cream, biscuits and bread.

In New Zealand, we do not require palm oil to be labelled as such within foods, and so typically it is simply labelled as "vegetable oil". In this form, it is even present across the globe in many brands of infant formula, including Australasian brands.

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## The issues with palm oil

- Deforestation
- Illegal clearing of land
- Loss of biodiversity
- Carbon released during land clearance / conversion of peat / fires
- Air pollution
- Human rights issues if people are displaced or need land
- Questions around ownership of land
- Traceability
- Lax governmental control
- Weak legislative frameworks
- Bribery and corruption
- Threats to endangered species

### Indonesia

**GDP (current US\$)** Details

Billion

**Poverty headcount ratio at national poverty lines (% of population)**

World Bank, Global Poverty Working Group. Data are compiled from official government sources or are compiled by World Bank staff using national (i.e. country-specific) poverty lines.

Legend: Upper

1990 2014

Very complex issue in Indonesia

- Land is an opportunity for development
- Income for families if land is used for horticulture or agriculture
- Unable to monetise ecosystem services, the value of natural capital, the value of biodiversity
- Weak governance framework to protect forests
- Lack of knowledge / awareness / don't care attitude to the wellbeing of the forest or to future generations
- 63% of Indonesia's carbon emissions are from forestry and peat burning.

Indonesia is an developing country:

2015: 258m

See growth of GDP from 2000

Poverty has reduced from 18% to under 12% between 2002 and 2014.

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## Peat and fires

### Smoke and fires over Kalimantan 19 October 2015



Note: Red dots represent fires (hotspots) in the image  
Source: NASA Earth Observatory

Source: CLSA presentation:  
**Understanding Palm**  
(September 2016)

- Peat is formed over many years as leaves from the forest foliage drop to the floor and build up over time. It's a bit like compost.
- They form dome shapes. A huge carbon reservoir.
- The peat is very wet because it's nearer the sea (which means ports) and also due to the high rain fall.
- Due to the proximity to the coast and ports and to the growing demand for palm oil, over recent years, much of the peatland has been cleared, drained and palm trees planted. The peat dries out and becomes a fire risk.
- Fires in 2015 impacted 875 Ha. Because the peat is so flammable, the fires go down below ground and spread underneath, out of the line of vision. They can re-appear 700m away from where it started.
- Once peat is burned, carbon is released into the atmosphere and it becomes degraded. If burned multiple times, it can become acidic causing a barren land.
- There are over 2m Ha of degraded peatland across 7 provinces in Indonesia.