
AJF Financial Services Inc.

Palm Oil and The Environment

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What is Palm Oil?

According to World Wildlife Fund (WWF), Palm oil is an edible vegetable oil, high in saturated fats, derived from the fruit of the oil palm tree. Palm Oil made from the Palm fruit that is native to Africa and flourishes in tropical areas. In addition the WWF states that “It is grown ... mainly in Indonesia and Malaysia, which account for 85% of global palm oil production.”

“Palm oil is a common ingredient of margarines, biscuits, breads, breakfast cereals, instant noodles, shampoos, lipsticks, candles, detergents, chocolates and ice creams.” (WWF) Palm oil is used in products that we need everyday, however the impacts that oil palm have on the environment contribute greatly to Global Warming.

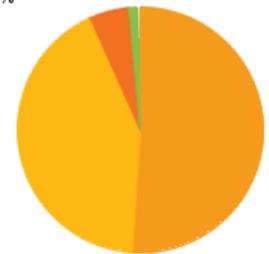
Palm Oil and Environmental Impacts.

In exchange for companies to plant Oil Palm they have to clear areas in the forest. The WWF states that “Clearing land for oil palm plantations has led to widespread deforestation in Indonesia and Malaysia as well as other regions. This has pushed many species to the brink of extinction, such as rhinos, elephants, orangutans and tigers.” In addition “Many practices for clearing large mass of land for Oil Palm plantation includes the burning of forests, which generates thick smoke—also disregard workers’ rights and harm communities and entire regions.” “This is particularly severe where deforestation occurs on peat soils, which release enormous amounts of CO₂ when cleared and drained. Up to 66% of all climate change emissions from oil palm plantations is estimated to come from the 17% of plantations established on peat soils.” As the methods of planting and producing palm oil are not suitable for the environment many researchers and organisation are working on a more fitting method for palm oil production.

Palm Oil Sustainability

Your first question might be ‘why not use another alternative to palm oil?’, it is not as simple as it sounds. The Roundtable on Sustainable Palm Oil (RSPO) states that “Replacing palm oil with other types of vegetable oil (such as sunflower, soybean or rapeseed oil) would mean that much larger amounts of land would need to be used, since palm trees produce 4-10 times more oil than other crops per unit of cultivated land. This would result in serious environmental damage, with the risk that more forests would need to be converted into agricultural land.” Also “millions of farmers and their families work in the palm oil sector. Palm oil plays an important role in the reduction of poverty in these areas. In Indonesia and Malaysia, a total of 4.5 million people earn their living from palm oil production.” Also “due to palm oil’s unique properties as food ingredient. Using other oils would not give the products the same texture and taste that palm oil offers.”

Palm oil is very useful in our lives and the industry provides jobs for many people who are in poverty, which is why an organisation formed called the Roundtable on Sustainable Palm Oil, a not-for-profit that unites stakeholders from the 7 sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil. The RSPO has over 2,900 members who pledged to use a more sustainable palm oil from CSPO.



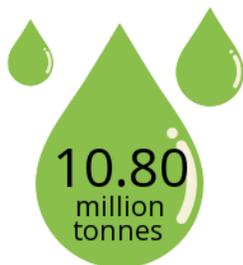
Where does RSPO-certified palm oil come from?

² RSPO Image

Palm Oil and Investments

There are many Environmental, Social and Governance (ESG) issues that are surrounding palm oil production. The WWF states that “The ESG issues that investors need to consider apply to different types of investments, including: direct investments in real productive assets (such as palm oil plantations); indirect investments in the equity of public companies that own productive assets or trade in the underlying commodity or derivatives; and investments in consumer goods, energy, animal feed, retailing and other companies which use and sell

products containing palm oil.” Also World Wildlife Fund states “... ESG credentials can be used to drive long-term value creation and asset protection... investors seek to engage with companies to inform their own in-house sustainability ratings alongside issues of risk management and buy/weight/sell decisions. By asking the right questions, investors should aim to highlight to companies their concerns about material ESG issues they believe can have an impact on the investee company.”³



Volume of Certified Sustainable Palm Oil

First Affirmative States that “In fall of 2014, First Affirmative and Trillium Asset Management filed a shareholder resolution on behalf of Yum! Brands shareholders , asking for data that shows how the company is actively working to reduce the negative environmental impact of its palm oil supply chain. As a direct result, Yum! Brands made immediate improvements to its corporate palm oil policies and the resolution was withdrawn.” In addition “The company's

³ RSPO Image

updated Yum! Palm Oil Policy , representing the business's commitment to sourcing only sustainable palm oil going forward, is now available on its corporate website.” “There is a positive correlation between beneficial sustainability practices and overall business performance. When companies actively work to minimize environmental impacts, they attract socially-conscious investors, and this helps fuel growth.” Some of these companies that practice sustainability are “Unilever, Kellogg, and Nestle” and they “are becoming visible leaders in this arena.” Not only are companies working towards more sustainable palm oil but also the government, “Recent action by Indonesia's Environmental Ministry suggests that public policy can be effective in controlling palm oil production. The organization rejected a proposal by dozens of palm oil companies to convert a large portion of the nation's forests into palm oil plantations.”

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4 RSPO Image

More Info

The following link allows you to search companies from around the world who have committed to using certified sustainable palm oil <http://www.rspo.org/members/all> .

The World Wildlife Fund (WWF) and The Roundtable on Sustainable Palm Oil (RSPO) have teamed up together for solutions on sustainable palm oil productions in this → [Video Link](#)

Also Click the following link to search for → [Deforestation Free Funds](#)



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