

THE RESPONSIBLE INVESTOR'S GUIDE TO COMMODITIES

AN OVERVIEW OF BEST PRACTICES
ACROSS COMMODITY-EXPOSED
ASSET CLASSES



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Foreign Affairs FDFA
Directorate of Political Affairs DP
Political Affairs Division IV, Human Security



onValues
investment strategies & research



SEPTEMBER 2011

AUTHORS: IVO KNOEPFEL AND DAVID IMBERT, ONVALUES LTD.

OUTCOMES OF A PROJECT LED BY:

onValues Ltd.

www.onvalues.ch

WITH SUPPORT FROM:

- Swiss Federal Department of Foreign Affairs www.eda.admin.ch
- UN Global Compact www.unglobalcompact.org
- UN-backed Principles for Responsible Investment www.unpri.org

ACKNOWLEDGEMENTS

We are indebted to the many people that through their insights and feedbacks contributed to this report, in particular to the many investors, analysts and stakeholders that participated in our round of interviews and in different workshops/conferences organised by our project. Special thanks go to Helene Winch (BT Pension Scheme), Rob Lake and Katie Swanston (PRI Secretariat), Bernd Schanzenbächer (EBG Capital), Beat Zaugg (Ecofin), Peter Zollinger (Globalance Bank), Rolf Hässler (oekom Research) and Gavin Power (UN Global Compact) for their dedicated support of our work.

DISCLAIMER

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional or investment advice. You should not act upon the information contained in this publication without obtaining professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. The authors and supporters do not accept or assume any liability or duty of care for any consequences of you acting on the information contained in this publication or for any based on it.

Designer: Nilou Safavieh

Foreword

Global competition over scarce natural resources will be one of the defining aspects of the 21st century. The rapid growth of developing countries, people's quest for a more affluent lifestyle and growing populations are boosting the demand for vital commodities such as food, energy and metals. Prices will inevitably rise and investors have noticed. In only a decade, investments in commodities have increased more than fifty-fold.

But investors would be mistaken to consider this a financial asset class like any other. The supply of food, energy and other commodities is critical for economic and social development. Without those necessary components, and fair access for all to them, the world risks long term instability with all the associated threats to the well-being and security of society.

Policy makers will accept much needed private sector investment in this area as long as it is seen as positively contributing to the development and stability of our economies and societies. Investors must recognise social sensitivities and concerns, even if they are sometimes perceived as being unfair and not based on absolute certainty, as in the case of the linkages between growing investment and price volatility. A "license to invest" in these markets will have to be earned and maintained.

Investors should therefore proactively implement measures aimed at managing environmental and social risks related to commodities investments. The present report, the result of an almost two-year long engagement process with leading investors and stakeholders, presents a range of best-practices that institutional investors should carefully consider and implement across different commodity-related asset classes. Given the complexity of commodities markets and of the interplay with the "real" economy and our natural environment, it is crucial that trustees and investment managers devote time to these issues and truly understand underlying mechanisms leading to undesired impacts.

To feed and sustain a world of 9 billion by 2050 massive investments in better infrastructure, more efficient use of resources and systems based on renewable resources will be needed. This can be achieved only through partnerships between governments, public and private-sector investors. Investors will be rewarded by considerable financial opportunities. By adopting voluntary standards for responsible investment in commodities and infrastructure, investors are showing that they are also ready to contribute to social goals.



Donald MacDonald
Trustee, British Telecom Pension Scheme
Founding Chairman, Principles for Responsible Investment

Table of contents

1. Executive Summary	6
2. Introduction	8
3. Asset-class overarching considerations	10
4. Investments in commodity derivatives	12
4.1 The issues at stake	12
4.2 Recommendations for institutional investors	13
4.3 Areas for further research and collaboration	14
5. Investments in physical commodities	15
5.1 The issues at stake	15
5.2 Recommendations for institutional investors	15
5.3 Areas for further research and collaboration	15
6. Investments in real assets	17
6.1 The issues at stake	17
6.2 Recommendations for institutional investors	17
6.3 Areas for further research and collaboration	18
7. Debt or equity investments in companies or projects providing commodities exposure	19
7.1 The issues at stake	19
7.2 Recommendations for institutional investors	19
7.3 Areas for further research and collaboration	20
8. Special focus: Investments in agriculture and farmland	21
8.1 Agriculture: a global challenge	21
8.2 Investments in soft commodity derivatives	22
8.3 Investments in farmland	23
8.4 Debt and equity investments in the agriculture and food sector	25
8.5 Areas for further research and collaboration	25
9. Conclusion	26

Appendix 1. Overview of key environmental and social issues for commodities	27
Appendix 2. Summary of recent publications on investors' influence on commodity prices and volatility	28
Appendix 3. 17 June 2011 Conference Report: "Agri-investing for the long term"	30
Appendix 4. The Principles for Responsible Investment in Farmland	45
Appendix 5. Project Timeline	49
Appendix 6. Project bibliography and events	50

GLOSSARY

CBOT	Chicago Board of Trade
CFTC	U.S. Commodity Futures Trading Commission
ESG	Environmental, social and governance
ETF	Exchange-traded fund
FAO	Food and Agriculture Organization
GHG	Greenhouse gas
OTC	Over-the-counter
PPP	(People)-Public-Private Partnerships
PRI	Principles for Responsible Investment
UNCTAD	United Nations Conference on Trade and Development
WEF	World Economic Forum

1

EXECUTIVE SUMMARY

“The responsible investor’s guide to commodities”¹ concludes a multi-year project sponsored by the Swiss Federal Department of Foreign Affairs, the UN-backed Principles for Responsible Investment (PRI) and the UN Global Compact Secretariat. The goal of this work was to improve the understanding of environmental, social and governance² (ESG) issues in commodity investments with a view to identifying and promoting best practice in this area.

The best practice recommendations proposed in this report result from extensive engagement with institutional investors and other stakeholders that are active across the spectrum of commodity investments. These recommendations are summarised on the next page.

This report covers the full range of options available to investors to add commodity exposure to their portfolios:

- Investments in commodity derivatives, which can be traded on exchanges or over-the-counter (Section 4)
- Investments in physical commodities (Section 5)
- Investments in real productive assets, such as forest and agricultural land (Section 6)
- Debt or equity investments in companies that own commodity producing assets or related businesses in the commodity value chain (Section 7).

The report also includes a special section on investments in agriculture and farmland, which is a part of the commodities spectrum particularly exposed to environmental and social issues (Section 8).

Both the issues and the available strategies for responsible investors vary greatly across investment types. Where real asset and debt / equity investments create direct exposure to ESG issues such as mine tailings or labour conditions, physical commodities or commodity derivatives require investors to consider the “systemic” impact of their actions: physical commodities taken away from productive use can harm growth and returns in other asset classes and their production leads to environmental and social externalities; excessive speculation in commodity derivatives can lead to price volatility and ultimately harm investors’ “license to invest” in those markets.

Further, even in the investment types characterised by direct exposure to ESG issues, a distinction must be drawn between manageable and unmanageable issues. A real asset investor can select farm investments on the basis of their water and greenhouse gas footprint and a shareholder can challenge the sourcing policy of a listed food company, but the holder of gold bullion cannot know whether it was mined by slave labour or by a professional mining company. The fungibility of physical commodities limits the extent to which investors can identify and manage ESG issues associated with their production.

Given these distinctions between commodity investment types, “The Responsible Investor’s Guide to Commodities” also comments on the choice between asset classes (Section 3). Real asset investments and debt / equity investments appear preferable when evaluated for the possibility to actively manage ESG risks and opportunities and contribute to sustainable development through the allocation of capital. For physical and derivatives investments, the risk of contributing to unwanted “systemic” effects and the limited possibilities to mitigate these put responsible investors in a dilemma.

Throughout the report, we highlight areas for further research and engagement by investors. While this project has reached its conclusion, the investment community is just at the beginning of a period where innovative approaches will be needed in the field of commodity investing.

1. Responsible investors are investors with a long-term view aiming to consider material ESG issues in the management of their investments and in their ownership strategies

2. The production and delivery of commodities involves a wide range of ESG issues, including the depletion of non-renewable resources, pollution of air/water/soil, labour and human rights issues. An overview is provided in Appendix 1.

HEADLINES OF MAIN RECOMMENDED BEST-PRACTICES

(see detailed text in the report)

INVESTMENTS IN COMMODITY DERIVATIVES

- Define reasonable financial performance targets for active managers
- Use multiple investment channels
- When investing passively, implement rebalancing procedures based on fundamental considerations
- Insist on hedge fund managers being transparent about their positions and strategies
- Do not allow managers to take physical delivery
- Limit investment in smaller, more illiquid commodity markets
- Engage with the investment community to improve market governance and transparency
- Contribute to the policy debate more proactively and transparently
- Engage with exchanges and other market actors in view of introducing standardised futures contracts that include ESG considerations. Likewise with index providers in relation to the construction of indices.

INVESTMENTS IN PHYSICAL COMMODITIES

- Limit investments to commodities for which competition with industry is negligible
- Support the development of global ESG standards for the production of commodities
- Support fund managers that are planning to source “traceable” commodities.

INVESTMENTS IN REAL ASSETS

- Formalize the assessment and management of environmental and social risk
- Maintain a formal dialog with the local community to identify risks and problem areas
- Require compliance with local and international laws, even where poorly-enforced
- Uphold high business and ethical standards. Introduce policies and systems to avoid corruption in all its forms, including extortion and bribery.
- Stimulate the development of improved operational ESG standards

for various asset types

- Regularly monitor and report on the ESG performance of real asset investments.

DEBT OR EQUITY INVESTMENTS IN COMPANIES OR PROJECTS PROVIDING COMMODITIES EXPOSURE

- Articulate the case for considering ESG factors as it relates to key business value drivers
- Ask independent and sell-side research analysts to provide research on ESG issues
- Integrate ESG research into investment analysis and decision-making processes
- Evaluate ESG integration capabilities in selecting and reviewing investment managers
- Participate in supply chain initiatives aimed at developing voluntary ESG standards
- Exercise voting rights and engage with companies on ESG issues
- Participate in collaborative engagement initiatives with other investors.

SPECIAL FOCUS: AGRICULTURE – ADDITIONAL SECTOR-SPECIFIC RECOMMENDATIONS

INVESTMENTS IN SOFT COMMODITY DERIVATIVES

- Never take physical delivery of agricultural commodities (or allow managers to do so)
- Do not participate in smaller, more illiquid markets
- Do not participate in markets where financial investors' contribution to increased volatility could be substantial.

INVESTMENTS IN FARMLAND

- Assess the impact of an investment on smallholder farmers and local communities
- Support measures aimed at improving the livelihoods of local populations
- Avoid investments in crops that are unsuited to local conditions
- Avoid investments in land conversion plays (e.g. forestland turned to pasture or fields).

DEBT AND EQUITY INVESTMENTS IN THE AGRICULTURE AND FOOD SECTOR

- Educate yourselves about the environmental and social dynamics of agriculture
- Engage with companies in a strategic manner, focusing on financial materiality and—given the complexity of the agricultural supply chain—targeting key intervention points to maximize impact.

2

INTRODUCTION

“The Responsible Investor’s Guide to Commodities” summarises the results of a project by onValues in collaboration with the UN-backed Principles for Responsible Investment (PRI) Secretariat, the UN Global Compact Secretariat and the Swiss Federal Department of Foreign Affairs focusing on environmental, social and governance (ESG) issues related to investments in commodities. The project took place in the period between January 2010 and August 2011 and explored the issues at stake, possible actions for institutional investors and areas for further research and collaboration.

Responsible investment is a term that has evolved rapidly over the last decade and describes the process whereby an investor incorporates ESG considerations into investment decisions and ownership practices. The process stands in addition to, or is incorporated into, traditional investment analysis processes. The aim of responsible investment is to enable investors to make more informed investment decisions, thereby protecting shareholder value and enhancing long-term returns. It is based on the view that ESG trends are becoming increasingly relevant and material, and can affect investment returns, particularly in the medium and long term. Therefore, like any relevant financial metric, these issues should be understood and analysed within an investment context. Furthermore, most institutional investors have a fiduciary duty: a professional duty of care and legal obligation to their clients to take all material issues into account in their investment decisions.

The findings in this report are based on a range of interviews³ and discussions with leading institutional investors and other stakeholders active in the space, and on the review of the available investment research and academic literature⁴. In addition, two investor roundtables were organised at which asset owners, researchers, investment managers and other stakeholders provided inputs and challenged the findings from the project.⁵

We identified different motives for investors to consider ESG issues when managing their commodities investments:

- Long-term environmental and social trends such as the scarcity of finite resources, climate change, and changes in demographics and lifestyles will influence future price levels and investment returns and create new investment opportunities and risks
- A wide range of ESG issues involved in the production and trade of commodities, e.g. local pollution and human rights issues, can translate into investment and reputational risks for investors
- At a more “systemic” level, concerns about the role played by investors in commodity markets could lead to new regulations impacting available investment opportunities and returns, ultimately affecting investors’ “license to invest”.

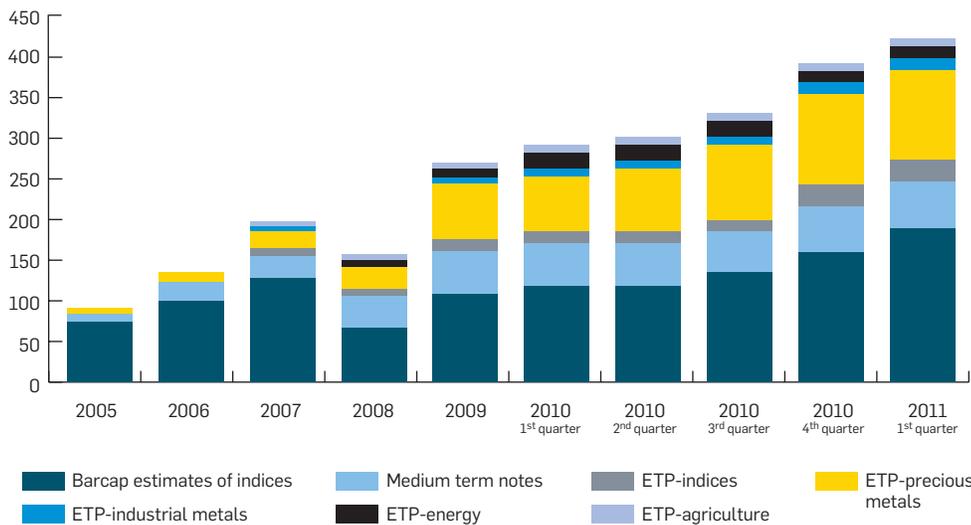
Because of their positive contribution to risk-adjusted returns and portfolio diversification, commodities investments have grown considerably in the past years and are expected to continue their growth path in the coming years. According to Barclays Capital, over \$400 billion of institutional and retail money is currently invested in commodities, compared to only \$6 billion a decade ago (see graph below).

3. Interviews were conducted with finance professionals active in commodities, including commodity traders, asset owners, asset managers, investment consultants, and company, intergovernmental organisation and NGO representatives.

4. See the 13 January 2011 report by onValues: “Responsible investment in commodities”

5. onValues organized and moderated a commodities panel at the 2010 “PRI in Person” conference in San Francisco and also held an all day concluding conference on “Agri-investing for the long term” on 17 June 2011 in Geneva, Switzerland. onValues also moderated a session on commodities investments at the 15-16 September 2011 “PRI in Person” annual event and at the 19 September 2011 International Sustainability Leadership Symposium

FINANCIAL INVESTMENTS IN COMMODITIES: ASSETS UNDER MANAGEMENT, BY PRODUCT, 2005-2011 (\$billions)



Source: Barclays Capital, *The Commodity Investor*, various issues.

Financial investments in commodities (from UNCTAD: "Price Formation in Financialized Commodity Markets", June 2011)

An important distinction needs to be made between different types of commodity investments:

- Investments in commodity derivatives, which can be traded on exchanges or over-the-counter. These investments can be implemented through index tracking funds, hedge funds and other strategies.
- Investments in physical commodities. Traditionally, these were limited to gold and other precious metals (silver, platinum, palladium, etc.). A new range of physically-backed exchange-traded funds and structured products will make it easier in the future to invest also in industrial metals such as copper, tin, zinc, aluminium, lead, etc.
- Investments in real productive assets, such as forest and agricultural land
- Debt or equity investments in companies that own productive assets, typically in the extractive industries or in the agricultural value chain.

The ESG issues at stake and potential responses by investors vary widely depending on the type of investment, as we show in the next sections summarising our findings for different investment types. Some of the identified ESG issues are directly related to the production of a commodity⁶ while others are of a more indirect nature, such as the potential influence of investors on price levels and volatility.

While the concept of responsible investing is well developed for some asset classes, including public equities, fixed-income, real estate and private equity, the debate on responsible investment approaches for commodities has just begun. The findings in this report highlight some of the key challenges and management options for investors and should be seen more as the beginning of a debate within the investment world on this topic. More research and discussions between investors will be needed in the coming years to validate and deepen our findings.

6. An overview of these issues is presented in Appendix 1



ASSET-CLASS OVERARCHING CONSIDERATIONS

In the course of the project, several interviewed investors and stakeholders have challenged us to reflect on this fundamental question: Are investments in commodities at all compatible with the concept of responsible investing? As we show in the following sections, each approach to investing in commodities involves a range of ESG issues that can, to a certain extent, be managed and mitigated. We do not see a fundamental incompatibility with the concept of responsible investing if certain best-practices and precautions are followed.

Nevertheless, there are substantial differences between various types of investments that do matter to responsible investors. The concept of responsible investing relies on the possibility to analyse and actively mitigate ESG risks (or manage opportunities) by selecting investments and/or being an active owner. Because of the fungibility of standardised commodities, this is not possible for commodity derivatives and (in most cases) for physical commodities. Many responsible investors also see their role as contributing to the long-term stability/viability of financial markets and to a transition to a more sustainable economy. The table below outlines some of the large variations between different types of commodity investments in this regard (see table below).

On balance, investments in real assets or in the debt/equity of companies provide the greatest positive “ESG leverage” to investors and are best aligned to the concept of responsible investing. Physical commodities are questionable and many institutional investors exclude them from their investments. For commodity derivatives, which are the most frequently used investment type, it is not easy to apply the concept of responsible investing and in this sense the alignment is not ideal. We nevertheless believe that responsible investors can play a positive role in this investment market by following the best-practices highlighted in the next section.

“Long-term oriented, responsible investors should invest in productive assets and steer clear from investments in derivatives or physical commodities”

— CIO of a Dutch pension fund interviewed in the course of the project

	Possibility to mitigate ESG risks by selecting investments	Possibility to mitigate ESG risks by engaging with producers and other value chain actors	Risk of damaging the real economy and returns in other asset classes**	Possibility to actively contribute to sustainable development through allocation of capital
COMMODITY DERIVATIVES	Low*	Low	Low-Medium	Low*
PHYSICAL COMMODITIES	Low*	Low	Medium-high	Low*
REAL ASSETS	High	High	Low	High
INVESTMENT IN COMPANY DEBT/EQUITY	Medium-high	Medium-high	Low	Medium-high

* Would be higher in case a system to trace the source of commodities and ensure ESG criteria are met could be implemented

** E.g. by taking physical commodities away from productive use or contributing to price volatility

“I have no doubt: gold is the ideal investment [...] Except, of course, gold is nothing but a shiny metal [...] Gold has no financial value other than that which people accord it, and thus it should have no role in a serious investment program”

—Howard Marks, Chairman of Oaktree, December 2010



INVESTMENTS IN COMMODITY DERIVATIVES

4.1 The issues at stake

Investing in commodity derivatives is the main way in which institutional investors seek exposure to commodities. Investments are implemented by means of futures, OTC contracts, index tracking funds, swaps on indices, hedge funds and other active strategies.

Financial investors usually sell back (“settle”) their derivative contracts before expiry to other counterparties and therefore avoid holding the physical commodity. Over the long-term, they therefore have no effect on absolute production levels and related ESG issues. Over shorter timeframes, though, they can create price signals in the futures market that impact producer decisions and influence prices in the spot market. Increased volatility in commodity prices can make it difficult for society to adapt and, in the case of food commodities, can lead to food crises and social unrest. Excessive speculation on futures markets can also potentially disrupt futures markets role as a price discovery and risk hedging tool for farmers and producers. When looking at commodity derivative investments we are therefore dealing with systemic risks of a more indirect nature, compared to other types of investments with more direct ESG impacts.

The G20 has put commodity price volatility at the top of its agenda and many international bodies and national regulators are dealing with the issue. A heated debate about the potential influence of financial investors on commodity prices is under way with highly divergent opinions being expressed. Academic research on the issue is often inconclusive, in part because it relies on past data that cannot capture the rapidly changing situation with regard to the nature and scale of investments. In Appendix 2 we summarise findings of recent “meta” publications on this issue to complement the literature already reviewed in our interim report.

“... what little distortion speculators may cause is soundly trumped by the service they provide. In particular, they supply liquidity and price information that makes futures markets more efficient”

— *The Economist*, 13 November 2010

Based on our discussions and interviews with investors and on the literature reviewed, we have identified the following mechanisms that can lead to investors impacting price levels and volatility:

- In many futures markets, financial investors have become the leading players (compared to commercial investors)
- Financial investors increasingly decide to invest based on factors that are unrelated to fundamentals, such as herding around a price trend (which might initially be justified by changes in fundamentals but then becomes self-reinforcing) or wanting a certain exposure for portfolio diversification reasons (which, if manifested in an index strategy, leads to obligatory “rolling” of futures contracts to maintain exposure, without regard to fundamentals)
- By piling into commodities markets at such scale, and in a manner that is largely insensitive to fundamental drivers, financial investors have in fact eroded their original commodities investment case of uncorrelated returns. Partly as a result of this, more sophisticated investors have begun to seek commodity exposure through investments in real assets such as farms, mines or forests.
- The advent of highly liquid exchange-traded funds makes it relatively easy for momentum-driven investors to move large amounts of money in or out of commodity markets
- All of this can lead to increased volatility in futures markets, and as a consequence also in spot markets⁷
- Some observers also point to the fact that a structurally higher volatility will also lead to higher physical commodity price levels. This is explained by the following relationship: increased volatility in futures markets leads to increased margin requirements, making it more expensive for farmers to hedge their production risks. This cost is eventually passed on to the end consumers.

4.2 Recommendations for institutional investors

The main responsibility for dealing with these issues clearly rests with regulators. US and European regulators have already introduced a range of measures aimed at increasing transparency and limiting excessive speculation (these include measures

to increase transparency of both regulated and “over-the-counter” markets, central clearing requirements, regulation of significant participants, position limits, etc.).

Investors nevertheless have an important role to play. Based on our discussions and engagement with investors, a series of voluntary measures that investors can implement with the goal of avoiding negative impacts and actively contributing to well-functioning markets were identified. These include:

- Defining reasonable performance targets for active managers to avoid them having to chase momentum and take excessive risk
- Using multiple investment channels, avoiding that single investment managers or funds attain a dominating position in the market with a higher risk of contributing to volatility
- When investing passively, implementing procedures aimed at rebalancing portfolio allocations for different commodities (e.g. when prices exceed levels justified by fundamentals). This has the effect that the investor is a seller of futures when prices go up excessively (and vice-versa) which tends to stabilise prices.
- Insisting on hedge fund managers being transparent about their positions and strategies
- Not allowing managers to hold positions into delivery period or taking delivery so as not to affect the price-building mechanism
- Setting limits on investment in smaller, more illiquid commodity markets where lack of market sophistication / liquidity coverage could lead to investors having a big influence on prices
- Engaging with commodity futures exchanges, investment managers, index providers, etc. with the goal of improving governance and transparency of commodity and OTC markets
- Contributing to the policy debate more proactively and transparently, in view of balancing short-term interests with the need for ensuring the long-term sustainability of derivatives markets and investors’ access to them.

“Investors that believe markets are broken should lobby for better regulation, in particular better transparency”

— Head of Commodities of a pension fund interviewed in the course of the project

7. Given today's size of futures markets and the observed contango effect, price discovery is usually happening in the futures market

“It’s not a casino;
we’re not
trying to shoot
the lights out”

—Donald MacDonald,
Trustee, BTPS, quoted
at *Agri-investing for the long
term*, 17 June 2011

4.3 Areas for further research and collaboration

In our work, we were surprised by the relative lack of academic research going beyond simple regression analysis to actually model and understand the complex mechanisms behind price building in futures and spot markets. This is particularly true for certain types of commodities and for behavioural phenomena and herding effects. There certainly is a need for more and better research in this area.

Furthermore, while a general consensus has formed around the idea that the financialization of commodities markets has increased volatility, there is only a basic understanding of the consequences of such increased volatility. Research should closely examine how this will impact market function, commercial participants, and society at large.

In the course of our discussions with

investors, the possibility of engaging with exchanges and other market actors in view of introducing standardised futures contracts that include provisions for minimum ESG quality standards was mentioned several times. The possibility of launching a contract on “sustainable palm oil”, given the broad support for a global standard facilitated by the Roundtable on Sustainable Palm Oil, was mentioned. We believe sooner or later such contracts will be introduced and that engaged investors could push for their early introduction.

At the same time, investors could engage with index providers in view of designing indices that better reflect market fundamentals of the different commodities and that incorporate ESG factors in the design of the indices. Given the importance of commodity index investing, this would be an important conduit for helping markets become more ESG-savvy.

“[... fundamental] factors alone are not sufficient to explain recent commodity price developments; another major factor is the financialization of commodity markets”

—UNCTAD: *Price Formation in Financialized Commodity Markets: The Role of Information*, UN New York and Geneva, June 2011

5

INVESTMENTS IN PHYSICAL COMMODITIES

5.1 The issues at stake

Holding the physical commodity provides the purest form of exposure to commodities but is often impractical because of the high storage costs. Traditionally, investors have held considerable amounts of physical gold and other precious metals because it is possible to store them at a reasonable cost. For these commodities, investors account for an important part of global annual demand and therefore substantially influence prices⁸.

Investments in precious metals are easily accessible through a range of physically backed exchange-traded products/funds on these metals. Recently, similar funds on aluminium, copper, lead, nickel, tin and zinc have been launched. Investing in these industrial metals (arguably also in some of the precious metals) brings investors in direct competition with industrial demand.

The issues at stake are both of a direct and of an indirect nature. On one hand, when demanding physical commodities investors create an additional demand whose production and delivery is associated with a whole range of ESG issues⁹. Because the source of the commodities is usually not known, investors cannot choose between different proveniences or engage with producers in view of minimising ESG risks (an option that would be available when investing in the equity of producers).

Potential indirect effects are two-fold. Strong growth in physical investments could lead to higher commodity prices and price volatility, with similar negative effects on producers and society already discussed in Section 4 (in recent months, for example, strong investor demand for silver and copper is thought to have contributed to increased volatility). In addition, physical investment brings investors and industrial consumers into direct competition for supplies in already tight markets, especially in emerging markets. This risks constraining economic growth and potentially hurting the returns of equities portfolios. In our interviews and discussions with investors, many pointed to this potential “zero-sum game” as the reason for having introduced policies not to invest in physical commodities.

5.2 Recommendations for institutional investors

Based on our research and discussions with investors, we have identified the following actions that investors in physical commodities can undertake to minimise negative impacts:

- Limit investments in physical commodities to commodities for which competition with industry is negligible (e.g. gold)
- Support supply-chain initiatives aimed at developing global ESG standards for the production of these commodities
- Support fund managers that are planning to source “traceable” commodities from producers and suppliers that have been certified according to environmental and social standards. Such examples already exist for gold and could in the future emerge also for other precious metals.

5.3 Areas for further research and collaboration

Investors in physical commodities must have a good understanding of these markets, including the interplay between different actors and effects of growing investment on the wider economy, and of the stocks and flows of the commodities under consideration (incl. the possibilities to increase recycling). In

8. E.g. according to the World Gold Council, investors currently account for over 30% of global annual gold demand. That share is about 9% for platinum and 8% for palladium.

9. See Appendix 1

all these areas, additional research is needed.

The considerable environmental, social and human rights risks involved in extracting and producing these commodities can lead to reputation risks for investors. Because commodities are usually fungible, investors can manage these risks only indirectly, by contributing to the development of global environmental and social standards for the production of the commodities and by engaging with investment managers, ETF providers,

exchanges and commodity traders in view of them implementing these standards as much as possible in their activity.

The development of methodologies and supply chains allowing investors to source commodities from producers and suppliers that have been certified according to environmental and social standards is another area for further research and collaboration among investors.

“For metals such as copper and tin, with demand already outstripping supply, a fresh source of demand from investors could send prices soaring from current record levels”

—Jack Farthy, *Financial Times*, 29 November 2010

6

INVESTMENTS IN REAL ASSETS

6.1 The issues at stake

Productive assets such as farmland and mines have emerged as an increasingly attractive means for institutional investors to gain exposure to commodities. Real assets provide stable income streams and a certain hedge against inflation. Long-term investors also find real assets attractive as the illiquidity of multi-year investment periods reduces competition for properties.

Real asset investments require a high degree of management capability. Only investors with sufficient in-house expertise can make these investments directly. Other investors access real assets indirectly via specialist fund managers.

Whether investing directly or indirectly, as ultimate owners, financial investors in real assets are responsible for the full range of ESG issues related to the commodity production process, including issues around environmental management and the respect of human rights. These issues will vary based on the type of commodity produced and the geographical location¹⁰.

Direct or indirect ownership, however, will determine how investors influence ESG outcomes. A direct investor will have control over the transaction and operation of an asset, while an indirect investor will only interface with their asset manager. An indirect investor can exert their influence in a number of ways, from formalizing best practice requirements in contractual agreements to offering informal suggestions. In general, we would recommend that investors formalize their ESG performance expectations to the greatest extent possible, to command maximum attention and avoid misunderstanding.

6.2 Recommendations for institutional investors

In our discussions with investors we have identified the following recommended actions for institutional investors:

- Prior to a transaction, require investment managers and operators to conduct an environmental impact assessment identifying the relevant environmental impacts and risks of a planned investment. Develop and implement a best practice environmental management plan for every asset purchased.
- Prior to a transaction, require investment managers and operators to identify relevant labour and human rights risks and impacts of a planned investment. Develop and implement best practice mitigation and management measures to address social risks appropriately.
- Prior to a transaction, consult with the local community to identify risks and problem areas. Continue communications with communities throughout the life of the investment and formalize processes to take account of their feedback.
- Require that operators and managers comply with local and international laws, even where they are poorly-enforced, and require them to implement policies avoiding corruption in all forms, including extortion and bribery.
- Where existing best practice standards are inadequate, stimulate the development of improved standards for various asset types
- Regularly monitor and report on the ESG performance of real asset investments.

10. Appendix 1 illustrates the full range of ESG issues by commodity type

6.3 Areas for further research and collaboration

There are already efforts to research and define best practices across the spectrum of commodity producing real assets. Examples such as the Extractive Industries Transparency Initiative, the Roundtable on Sustainable Palm Oil or the Principles for Responsible Investment in Farmland¹¹ demonstrate that the private sector is committed to developing and implementing voluntary ESG standards for various types of assets. These efforts should be continued for all permutations of geography and commodity type.

Efforts to involve a full range of stakeholders are critical. The perspectives and roles of investors, managers, operators, governments and civil society clearly differ. Collaboration between these actors and also a clear delineation of responsibilities will enable future guidelines to be more effective and actionable in addressing ESG issues.

11. See Appendix 4. The Principles for Responsible Investment in Farmland were developed within the remit of this project.

7

DEBT OR EQUITY INVESTMENTS IN COMPANIES OR PROJECTS PROVIDING COMMODITIES EXPOSURE

7.1 The issues at stake

Debt or equity investments in companies active in the commodities space¹² represent another way for investors to gain exposure to the underlying commodities. This includes investments in sectors such as oil and gas, mining, metals, paper and pulp, etc. that represent almost a fifth of global equity markets. The risk-return profile of these investments, though, is mainly determined by their debt or equity character and is therefore not considered an optimal way to gain exposure to commodities for portfolio diversification reasons.

The environmental, social and governance issues involved in such investments have been described in a previous report¹³ and are summarized in Appendix 1. Asset owners and managers have a range of established techniques at their disposal for considering material ESG issues in the management of these investments and in their ownership policies and practices.

Many independent and sell-side research organisations provide regular analysis of ESG issues which can be used for investment and risk management purposes. The impression is that investors' awareness of environmental risks in highly exposed sectors such as oil and gas or mining is relatively advanced. The understanding of how poor performance in areas such as labour practices, workplace conditions and human rights can affect investment and reputation risks, on the other hand, is underdeveloped.

Institutional investors also increasingly include ESG considerations in their active ownership policies and programs. A growing number of institutional investors, many of which are signatories to the UN-backed Principles for Responsible Investment, focus on "commodity-intensive" sectors and companies in their collaborative engagement programs.

7.2 Recommendations for institutional investors

It's important that investors realise that ESG issues in these sectors can have significant financial impacts on their investments: poor management can lead to loss of business, fines, delay in regulatory approval processes, conflicts with local regulators and communities, severe damage to brands, etc. It is therefore important that investors improve their understanding of how ESG issues lead to financial and reputational risks, and how these risks can be managed.

In our discussions with investors we have identified the following recommended actions for institutional investors:

- Articulate the case for considering ESG factors as it relates to key business value drivers such as sourcing, brands and talent attraction
- Ask independent and sell-side research analysts to provide relevant research on ESG issues
- Integrate ESG research in portfolio management, investment valuations/decisions, and risk management processes
- Select (and review) external investment managers based on their capability to incorporate ESG issues in investment management
- Participate (either directly or through your investment managers) in supply chain initiatives aimed at developing voluntary ESG standards for different commodities
- Exercise voting rights and engage with companies on ESG issues (either directly, through investment managers or outsourcing to specialist engagement service providers). Ask investment managers to undertake and report on ESG-related engagement.

12. Including investments in special purpose vehicles used for large projects

13. See the 13 January 2011 report by onValues: "Responsible investment in commodities"

- Participate in collaborative engagement initiatives with other investors.

7.3 Areas for further research and collaboration

The breadth and quality of relevant investment research, especially when it comes to social and human rights issues, needs to be expanded. It is also necessary to focus more on external suppliers and contractors, whose poor track-record on ESG issues can be a

source of considerable reputation risk for investors.

Effective collaborative engagement, including engagement with smaller companies and with companies in developing and emerging countries, is another area for further research and collaboration among investors. In certain countries it might be necessary for investors to engage directly with governments and regulators in view of improving local ESG standards and oversight.

8

SPECIAL FOCUS: INVESTMENTS IN AGRICULTURE AND FARMLAND

Agriculture is a critical challenge area for the coming decades and the topic has recently risen to the top of the global agenda. In the course of our research on commodities, it became clear that 1) Agricultural commodities are a particularly sensitive area in terms of the environmental and social issues involved, and 2) ESG aspects are also expected to be highly financially material for this type of commodity. This section will therefore highlight the unique position of agriculture and—to the extent to which investors must make special considerations for this commodity type—provide guidance on derivatives investments, farmland, and company debt and equity.

Insights and recommendations in this section are the result of a special research focus of our project and of the discussions with a range of investors and stakeholders at the “Agri-investing for the long term” conference held on 17 June 2011 in Geneva. The proceedings of the conference are summarised in Appendix 3.

8.1 Agriculture: a global challenge

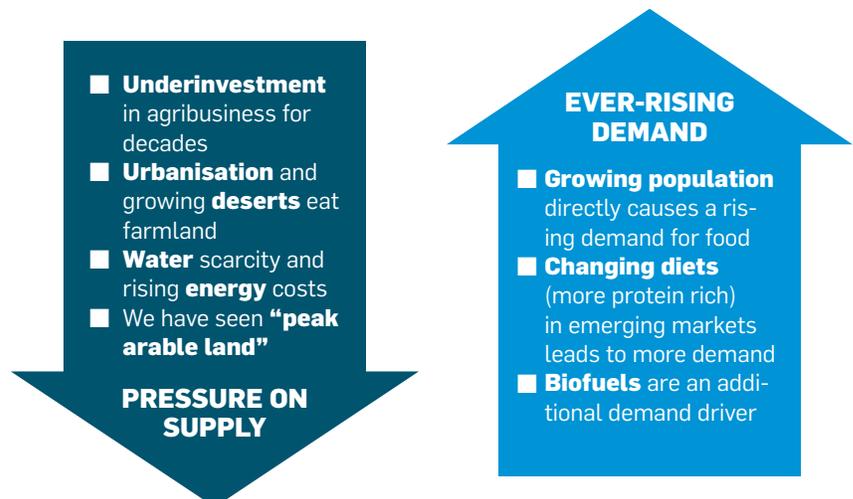
According to the UN, the world will need to produce 70% more food by 2050 to satisfy global demand. Growing populations with an increasing appetite for protein-rich foods, coupled with new uses for food materials such as biofuels, all serve to push up global food demand. At the same time, however, food supply is constrained by a legacy of underinvestment, limits to arable land and growing water scarcity.

Moreover, addressing the world’s food problems means more than increasing the sheer amount of food produced on farms. That food must reach end consumers, be financially accessible and be nutritionally sufficient¹⁴. Currently, roughly one-third of the world is chronically underfed or undernourished.

The structural defects in the world food system stem from decades of neglect and underinvestment. From 1980 to 2000, the share of official development assistance dedicated to food and agriculture fell from 18% to 3%. Given

14. United Nations High Level Task Force on the Global Food Security Crisis, “Updated Comprehensive Framework for Action”, 2010.

SUPPLY CONSTRAINTS AND INCREASING DEMAND



“Responsible investment in agriculture is a necessity, not an option”

— Graham Davies,
Consultant, Altima
Partners, quoted at
*Agri-investing
for the long term,*
17 June 2011

that over 50 of the world's poorest nations have economies almost 100% based on agriculture, the consequences for development have been serious. The FAO estimates that an additional \$83 billion of annual investment will be needed to prepare agricultural systems to handle the demand of 9 billion people.

The world needs new approaches to food security. Strategies to increase food availability by simply bringing more land under cultivation, mining groundwater or applying more agri-chemicals to crops will not be sufficient to feed 9 billion people. Agri-chemicals rely on non-renewable resources such as phosphorus for their production and scientists also have singled out the excessive use of agri-chemicals (alongside the burning of fossil fuels) as one of the most critical overstepings of planetary thresholds¹⁵. Arable land is also a finite resource, and the current rate of arable land expansion cannot be sustained given the limited size of arable land reserves. Water scarcity has begun to affect many agricultural regions around the world. Future agriculture must navigate these challenges by improving practices for both demand

side and supply side management. Both the developing and developed worlds must adapt to these challenges and do so with a greater awareness for total system function. A system that fails to consistently deliver adequate, affordable nutrition to one-third of the world cannot be called sustainable.

The agricultural system, therefore, will require investors that are attuned to the unique environmental, social and governance issues involved in the production, distribution and consumption of food. There are real opportunities here to direct capital toward financially and socially productive uses, but investors must educate themselves about the dynamics of the world agricultural system to ensure that their actions make a positive contribution to meeting long-term global objectives.

8.2 Investments in soft commodity derivatives

Supply-demand dynamics have led to decreasing food reserves around the world and a dou-

15. Rockström et al., “A safe operating space for humanity”, *Nature* 2009.

	YESTERDAY'S APPROACHES...	...WILL NOT BE SUFFICIENT TOMORROW
RESOURCE UTILIZATION	Convert potential arable land to cropland	Diminishing land availability, soil degradation, high environmental cost
	Rapid scaling of irrigated land area, overdraw on groundwater	Depleted ground water stores render urgent water efficiency measures
	Agriculture's environmental impact accepted or ignored	Environmental sustainability as necessary stipulation
PRODUCTIVITY GROWTH	Reliance on increased yields in developed countries	Yield growth in developing countries vital to meet global demand
	Acceptance of low smallholder productivity	Smallholder improvements critical to address global hunger and poverty
SCOPE IMPROVEMENT	Priority on calories and increasing cereal production	Importance of crop diversity, nutritional content and food affordability
	Focus on farm-level output and yield	Efficiency in whole value chain necessary for access, food security

“One of the main things in food inflation is that it has attracted speculators for short-term profit at the expense of people living a dignified life”

—Paul Polman, CEO, Unilever, quoted in *The Telegraph*, 21 January 2011

bling of real food prices over the past decade. This has made the global food system more prone to price shocks, leading to food riots, export restrictions and political instability.

The rising price environment has also attracted the interest of financial investors. As discussed in Section 4, financial speculation on commodity markets can contribute to increased price volatility. In agricultural commodity markets, excessive volatility has a disproportionate effect on the most vulnerable populations and threatens the basic ability of people to feed themselves. Such volatility hurts small farmers who find it increasingly expensive to hedge price risks through derivative markets and cannot confidently plan harvests ahead of time. It also hurts the very poor, living on less than \$1 per day without a safety net if food suddenly becomes unaffordable. Price volatility also exposes certain developing country governments that are importers of food and have no recourse if adequate supplies become unobtainable.

Given food’s unique status among commodities as a basic human right¹⁶ and the fact that food price swings disproportionately impact the poor, investors should only participate in soft commodity derivatives markets where they are sure they do no harm.

In addition to our general recommendations for commodity derivatives investors, we recommend the following:

- **Never take physical delivery of agricultural commodities (or allow managers to do so)**
 - **Do not participate in smaller, more illiquid markets where lack of market sophistication and liquidity coverage could lead to investors having a large influence on prices**
 - **Do not participate in markets where financial investors are already known to have caused increased volatility.**
-

8.3 Investments in farmland

Farmland is one of the real assets discussed in Section 6. It has attracted increased investor interest in recent years due to its low correlation with other asset classes, relatively stable cash flows and the fact that it provides a certain protection against inflation. This growing interest, however, has also thrown up challenges of marketplace transparency and investor accountability, as well as concerns over the environmental and social impact of increased farmland investment flows. At the same time, investment in farmland can bring much-needed capital flows to a sector that has suffered from decades of underinvestment.

In the context of farmland investment, the practice of “land grabbing” has drawn the attention of concerned people around the world. But here an important distinction needs to be made between 1) investors that acquire land for the purposes of securing food supply for their domestic populations or realizing quick gains, and 2) institutional investment in farmland. In the first case, much of the land can be left uncultivated after its purchase, or food is not allowed onto the open market, both of which negatively impact food security.

Institutional investment in farmland, on the other hand, when done by pension funds or institutional asset managers can lead to a more efficient use of the land. These investors have a long-term interest in farming the land and investing in infrastructure to maximize cash flows and sell their food on the open market. Running successful commercial farms contributes to food supply and puts downward pressure on prices, as well as translating into tax revenue in the local country. Institutional investors are relatively new to farmland and, admittedly, are still learning how to responsibly invest in a challenging sector, but their interest in managing commercially viable farms over the long-term

“For investors with a long-term horizon it is clear that only sustainable investments will yield the highest long-term results [...] It makes no sense to exhaust and deplete the land with unsustainable practices geared towards short-term gains”

—Jos Lemmens, APG Asset Management, quoted in *IPE*, July/August 2010, p. 39

16. United Nations Universal Declaration of Human Rights, Article 25

should direct them to be environmental stewards of the land and contributing members of the local society.

This report aims to help institutional investors understand and navigate the challenges of farmland investments. Appendix 4 also presents the Principles for Responsible Investment in Farmland, a voluntary set of guidelines developed by a group of institutional farmland investors with support provided by our project.

In addition to the Section 6 recommendations that apply to all real assets, our research and engagement with farmland experts and investors lead to the following recommended best-practices that specifically apply to farmland investments:

- Ask investment managers or operators to assess the expected impact of an investment on the livelihoods of local communities and smallholder farmers, whenever relevant. Managers and operators should support measures aimed at improving their livelihoods.
 - Avoid investments in crops that are unsuited to local conditions
 - Avoid investments in land conversion plays (e.g. forestland turned to pasture or fields).
-

IMPACT INVESTING IN FARMLAND

Impact investing targets measurable social returns on an investment while relaxing expectations for risk-adjusted financial returns. Farming has emerged as an important area for impact investors to supply productive capital that can improve the lives of the very poor. Many farmers in the developing world have no access to capital. Providing working capital to smallholder farmers, financing trade contracts for co-operatives or investing in the equity of a local agribusiness company can allow these businesses to operate in a more stable and entrepreneurial manner.

The Global Impact Investing Network (GIIN), for example, has established a working group called Project Terragua, which is dedicated to improving investor engagement with smallholders in sub-Saharan Africa. Working collaboratively among its investor members, the group looks to provide guidance on improving the ESG performance of agricultural impact investments. Funds that are active in the area include the SEAF India Agribusiness Fund and the SNS African Agriculture Fund.

“Private capital has the potential to positively change the face of agriculture provided that it is not driven by short-term returns [...] Investment must be steered towards improving operational efficiency of existing farms as opposed to “transformation plays” where native cover is cleared for the establishment of monocrops”

— Renatto Barbieri, Galtere, Annual World Bank Conference on Land and Poverty, April 2011

“There is no inherent ethical dilemma in investing in the food and agri space, provided these are investments in the true sense of the term – such as investments in companies that make products and/or services that create value for customers and society as a whole”

– *Christophe Churet, analyst responsible for the SAM Smart Materials Fund at Swiss-based SAM (from IPE, May 2011)*

8.4 Debt and equity investments in the agriculture and food sector

Particularly in commodity-related businesses, ESG factors have a financial impact on investment results (as discussed in Section 7). In the agriculture and food sector, investors gain commodities exposure by holding the equity and debt of agri-chemical and seed producers, agricultural technology companies, farm equipment manufacturers, agricultural producers, and food companies.

Our research and engagement with investors suggests that most investment managers do not yet systematically integrate ESG analysis into their investment decision making. There is also a lack of understanding of the cumulative effects of various ESG issues (e.g. the interaction of different environmental and social issues, and resulting political reactions), whose interrelation will be particularly important for food systems. Most investment managers can speak generally about ESG issues in agriculture, but do not think of these issues as impacting a company’s ability to source raw materials, attract fresh talent, or preserve brand value.

Speaking in the language of “sourcing, talent and brands” also gives company engagements a better chance of success. Initiatives such as the Unilever Sustainable Agriculture Code show that agriculture and food companies have begun to grasp the financial stakes of ESG issues. Investors can play a role in emphasizing the importance of these issues to companies.

In addition to the recommendations in Section 7, we suggest that agricultural debt and equity investors:

- Educate themselves about the unique environmental and social dynamics of the agricultural sector with a view toward systematically incorporating ESG considerations in investment decisions
 - Engage with companies in a strategic manner, focusing on financial materiality and – given the complexity of the agricultural supply chain – targeting key intervention points to maximize impact.
-

8.5 Areas for further research and collaboration

The investment community has only just begun to think about how it can contribute to improving the global agricultural system. Initiatives such as the World Economic Forum’s New Vision for Agriculture, the Global Impact Investing Network’s Terragua Project, or this very research project aim to connect investors and the private sector with the long-term requirements of food security and nutrition.

Significant questions remain unanswered: Can large international agri-businesses co-exist alongside local smallholder farmers? Does commercial agriculture always promote food security? Do globalised commodity markets always benefit poor countries?

There is ample room and interest for governments, development banks, investors, companies, civil society and local populations to work together on environmentally, socially and financially sustainable agricultural solutions. Further research on how to structure these partnerships will be critical.



9

CONCLUSION



Scarce resources and increasing demand present a compelling long-term investment case for commodities. These raw materials, energy sources and nutritional staples fuel human activity and their continued, sustainable provision will be critical for the indefinite future. Given the politically sensitive nature of these investments, it is important that investors maintain a long-term “license to invest” in this field.

For long-term oriented investors it makes sense to consider ESG issues that are expected to have a material impact on investment outcomes, while at the same time avoiding investment practices that could harm the proper functioning of markets and the sustainable development of the whole economy. This report has suggested a range of best-practices for these investors in each commodity-related asset class. It has also provided guidance on how to approach the strategic allocation between those asset classes.

We are convinced that by implementing these best-practices, responsible investors can contribute to better investment outcomes, while at the same time contributing to societal goals and protecting their “license to invest”.

“From now on, price pressure and shortages of resources will be a permanent feature of our lives”

—Jeremy Grantham, *GMO Quarterly Letter*, April 2011

APPENDIX 1.

OVERVIEW OF KEY ENVIRONMENTAL AND SOCIAL ISSUES FOR COMMODITIES

Note that all issues do not apply equally across all geographies and individual commodities

COMMODITY TYPE	ENVIRONMENTAL ISSUES	SOCIAL ISSUES
ENERGY › crude oil › natural gas › refined products › etc.	<ul style="list-style-type: none"> • Greenhouse gas (GHG) emissions • Energy intensity • Biodiversity impacts (esp. oil sands, arctic and deep-sea operations, hydraulic fracturing) • Acid gases (SO_x, NO_x) and volatile organic compound emissions • Oil spills and discharges • Freshwater use and discharged water quality • Site waste management (hazardous and non-hazardous) • Site closure and decommissioning 	<ul style="list-style-type: none"> • Occupational health & safety • Impacts on local communities / indigenous people (incl. degree of procurement from local contractors) • Human rights issues (incl. issues related to supply chains / contractors and conflict areas) • Corruption and bribery • Labour/workplace issues • Site closure impacts • Transparency on payments to governments
INDUSTRIAL METALS › copper › aluminium › lead › zinc › tin › nickel › cobalt › molybdenum › etc.	<ul style="list-style-type: none"> • Energy intensity • GHG emissions • Material intensity (and possibility to mitigate through recycling), use of secondary raw materials • Freshwater use and discharged water quality / impacts on aquatic ecosystems • Biodiversity impacts • Mine waste management (mineral and non-mineral, esp. safety of tailings disposal facilities) • Particulate emissions • Toxic emissions (e.g. fluoride from aluminium manufacturing) 	<ul style="list-style-type: none"> • Occupational health & safety (e.g. AIDS, ventilation/silicosis issues) • Human rights issues (incl. issues related to supply chains / contractors and conflict areas) • Impacts on local communities / indigenous people (incl. degree of procurement from local contractors) • Corruption and bribery • Labour/workplace issues • Mine closure impacts • Artisanal mining issues • Transparency on payments to governments
PRECIOUS METALS › gold › silver › platinum › palladium › etc.	<ul style="list-style-type: none"> • Freshwater use and discharged water quality / impacts on aquatic ecosystems • Mine waste management (mineral and non-mineral, esp. safety of tailings disposal facilities, cyanide use in gold mining, prevention of acid mine drainage etc.) • Biodiversity impacts • Energy intensity • GHG emissions • Artisanal mining issues 	<ul style="list-style-type: none"> • Occupational health & safety (e.g. AIDS, ventilation/silicosis issues) • Human rights issues (incl. issues related to supply chains / contractors and conflict areas) • Impacts on local communities / indigenous people (incl. degree of procurement from local contractors) • Corruption and bribery • Labour/workplace issues • Mine closure impacts • Artisanal mining issues • Transparency on payments to governments
AGRICULTURE › wheat › corn › soybeans and derivatives › sugar › coffee › cocoa › ethanol › livestock › etc.	<ul style="list-style-type: none"> • Water use (esp. overexploitation / depletion and deterioration of groundwater) • Soil erosion / depletion • Pollution from agrochemicals • Biodiversity impacts, deforestation • GHG emissions • Issues related to intensive production, monocultures, GMO use 	<ul style="list-style-type: none"> • Risks related to food price volatility • Human / labour rights issues • Impact on smallholder farmers and local / regional food security • Impacts of intensive land use on communities / indigenous people • Occupational health & safety • Corruption and bribery • Transparency on payments to governments

APPENDIX 2.

SUMMARY OF RECENT PUBLICATIONS ON INVESTORS' INFLUENCE ON COMMODITY PRICES AND VOLATILITY

Since the publication of our interim report in January 2011¹⁷, a series of high-level reports on investors' influence on commodity prices and volatility has been released whose findings we would like to summarise here. The UNCTAD study quoted below includes a comprehensive overview and summary of recent academic research in the field that we refrain from repeating here.

A good overview of the state of knowledge regarding potential effects of growing commodity investments on prices and price volatility is provided by UNCTAD in a study¹⁸ released in June 2011.

The authors review the latest research in the area and conclude that "... [fundamental] factors alone are not sufficient to explain recent commodity price developments; another major factor is the financialization of commodity markets. ... This phenomenon is a serious concern, because the activities of financial participants tend to drive commodity prices away from levels justified by market fundamentals, with negative effects both on producers and consumers".

By "financialization of commodity markets" they mean the increasing role of financial motives, financial markets and financial actors in the operation of commodity markets. The authors point to the fact that market actors increasingly make trading decisions based on factors that are totally unrelated to the respective commodity, such as portfolio considerations or trend following. "Herding" of investors following a trend (that might initially be triggered by changes in fundamentals) can lead to major amounts of money flowing in or out of commodity markets in short time.

To complement their theoretical and empirical findings, the authors of the study conducted 22 interviews with various commodity market participants, ranging from physical traders to financial investors, with the following main results (quoted from the UNCTAD report):

- "Although all interviewees stressed the role of fundamentals in medium- to long-term commodity price formation, they conceded that substantial price distortions and herding effects could occur in the short term due to the participation of financial investors.
- The interviewees agreed that due to their financial strength financial investors can move prices in the short term. This leads to increased volatility, which may harm markets and drive hedgers with an interest in physical commodities away from commodity derivatives markets. The increased volatility results in more margin calls and thus higher financing requirements.
- The main conclusion of the interviewed commodity market players was that market transparency needed to be increased
- There was substantial scepticism about bans (e.g. on high-frequency trading) and position limits. The general belief was that regulations were rather difficult to enforce."

The UNCTAD report concludes by recommending that policy responses focus on the following issues:

- Increased transparency with respect to fundamentals (i.e. inventories)
- Increased transparency in the exchanges and OTC markets themselves. More information should

be made available with regard to position-taking and categories of market participants in commodity derivatives markets.

- Tighter regulation of financial players, i.e. position limits aimed at restraining the engagement of financial investors in commodity markets (the report adds that "... appropriate levels are not easy to determine, a first step might consist of position points at which traders would be required to provide additional information")
- The possibility of establishing a government-administered virtual reserve mechanism and of allowing governments' direct intervention in the physical and the financial markets.

Olivier de Schutter, the UN Special Rapporteur on the Right to Food examined the impact of speculation on the volatility of the prices of basic food commodities in a briefing note published in September 2010¹⁹, calling for new regulation to reduce the risks of price volatility. De Schutter argues that "... States should ensure that dealing with food commodity derivatives is restricted as far as possible to qualified and knowledgeable investors who deal with such instruments on the basis of expectations regarding market fundamentals, rather than mainly or only by speculative motives".

He explains the impact of growing index investment on commodity prices as follows: "... the effect of the commodities index funds

17. See the 13 January 2011 report by onValues: "Responsible investment in commodities"

18. UNCTAD: "Price Formation in Financialized Commodity Markets: The Role of Information", UN New York and Geneva, June 2011

19. Olivier de Schutter: "Food commodities speculation and food price crises", Briefing note 02, September 2010

appears to have been to throw the commodities futures markets into “contango”, producing a vicious circle of prices spiralling upward: the increased prices for futures initially led to small price increases on spot markets; sellers delayed sales in anticipation of more price increases; and buyers increased their purchases to put in stock for fear of even greater future price increases”, pointing to the fact that momentum-based speculation may magnify the effects of changes in market fundamentals.

De Schutter concludes his report with the following recommendations:

- Registration, as well as clearing to the maximum extent possible of OTC derivatives should be required, so that there is real time reporting of all transactions made
- The knowledge of regulatory bodies in the field should be improved
- The access to commodities futures markets should be restricted as far as possible to qualified

and knowledgeable investors and traders who are genuinely concerned about the underlying agricultural commodities

- Spot markets must also be regulated in order to prevent hoarding. These markets must be transparent, and holdings should be subject to strict limits in order to prevent market manipulation
- Physical grain reserves should be established for the purpose of countering extreme fluctuations in food price, managing risk in agricultural derivatives contracts, and discouraging excess speculation.

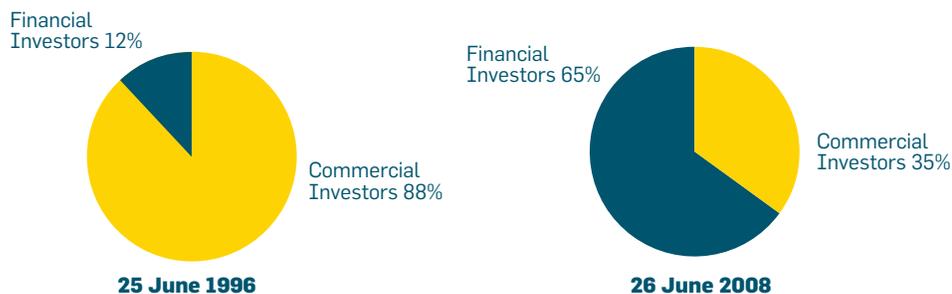
In an open letter to the US Commodity Futures Trading Commission on 28 March 2011, Mike Masters of Better Markets argues that excessive speculation has caused not only increased price volatility but is also leading to higher physical market (spot) prices. He explains the mechanism leading to higher spot prices as follows: increased volatility in futures markets leads to increased margin requirements, making it more expensive for farmers to hedge

their production risks on futures markets. This cost is eventually passed on to the end consumers. He points to the fact that growing investment in commodity index funds, often motivated by other reasons than fundamentals, is disrupting the price discovery mechanism and increasing price volatility. He argues that the market share (long open position) of financial investors/speculators is today excessive compared to commercial investors/hedgers (as exemplified by the situation in CBOT wheat futures markets 1996 vs. 2008 shown below).

Better Markets calls on the CFTC to strengthen its market regulation in the following ways:

- Aggregate position limits should be introduced
- An aggregate position limit for all commodity index fund investors must be applied
- Concentration position limits for futures, swaps and the two combined should be introduced.

LONG OPEN POSITIONS IN CBOT WHEAT



Source: Better Markets, “Position Limits for Derivatives”, letter to CFTC dated 28 March 2011

APPENDIX 3.

CONFERENCE REPORT: AGRI-INVESTING FOR THE LONG TERM – THE INVESTMENT CASE FOR RESPONSIBLE INVESTMENTS IN AGRICULTURE

DATE: 17 JUNE 2011

VENUE: CENTRE INTERNATIONAL DE CONFÉRENCES IN GENÈVA, SWITZERLAND

HOSTED BY:

- | | |
|---|--|
| • onValues Ltd. | www.onvalues.ch |
| • Swiss Federal Department of Foreign Affairs | www.eda.admin.ch |
| • UN Global Compact | www.unglobalcompact.org |
| • UN-backed Principles for Responsible Investment | www.unpri.org |

THIS REPORT WAS PREPARED BY:

- David Imbert and Ivo Knoepfel, onValues Ltd.
- Published on 2 August 2011

a) Introduction

This report summarises the outcomes of the conference “Agri-investing for the long term: The investment case for responsible investments in agriculture” held on June 17, 2011 at the Centre International de Conférences in Genève, Switzerland. The meeting was hosted by onValues Ltd., with support from the Swiss Federal Department of Foreign Affairs, the UN Global Compact, and the UN-backed Principles for Responsible Investment (PRI) and was part of a multi-year research project on responsible investment in commodities.

The distinguishing features of the meeting included:

- A focus on environmental, social and governance (ESG) issues and their implications for investment risk and return

- Coverage of different types of investments providing exposure to agriculture, including soft commodities, farmland, and listed equities.

The meeting gathered professionals from the agricultural investment and responsible investment communities to discuss the unique challenges and opportunities in the agricultural sector. By design, the meeting was led by asset owners (mainly pension funds), who, as ultimate decision makers in the allocation of capital can send important signals to the investment community and the economy at large. The meeting, however, also included asset managers, researchers and representatives from the public sector, who play an important role in implementing and informing investment decisions and

setting policy. The share of different types of conference participants is shown below.

The day was conducted under Chatham House Rule, giving participants a protected space to candidly assess challenges and realities. The publication of this meeting report, however, allows us to reach a wider audience, including the PRI signatory community²⁰. While this report covers in detail what was discussed at the meeting, a more complete report on the entire commodities spectrum will follow in September 2011, providing a standalone reference for responsible investment in commodities²¹.

²⁰. 915 institutions with approximately \$25 trillion in assets under management

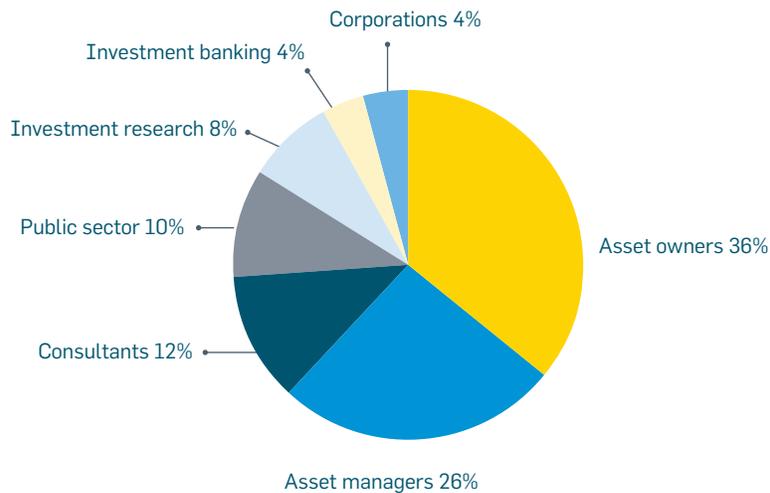
²¹. All reports will be available at www.onvalues.ch

GOALS OF THE CONFERENCE:

- To highlight the opportunity, but also understand the challenges of investing in agriculture
- To clarify the role of responsible investors
- To develop actionable recommendations for investors
- To identify areas for further research and engagement

KEY QUESTIONS ON WHICH THE MEETING FOCUSED:

- What role do investors have in contributing to the stability and sustainability of agricultural markets?
- Why are environmental, social, and governance (ESG) issues financially and reputationally material for investors?
- What can be learned from the most innovative investors in terms of taking ESG issues into account in investment strategies and active ownership?
- Can a set of guidelines for investment in agriculture be defined and supported by a wide range of investors?
- How do we turn private sector investment in agriculture into a WIN (for local communities) – WIN (for pension fund beneficiaries) – WIN (for society and the environment) opportunity?

PARTICIPANTS BY TYPE

b) Food Security: A challenge to find win-win-win solutions

David Nabarro, UN Special Representative on Food Security and Nutrition, opened the meeting with a keynote speech on food security. Giving a sense of perspective to the audience, Dr. Nabarro stated “my fundamental concern is that 1 billion people are chronically hungry and a further 1 billion suffer from nutrient deficiency.” His speech contextualized the day’s proceed-

ings and focused on the role of the private sector in improving food systems.

The food price spikes of 2007 and 2008 exposed fundamental defects in the global food system. While the recession-induced drop in prices in 2009 seemed a return to normalcy, in 2011 we now face prices that are higher than 2008 peaks. While a gradual increase in prices can help farmers increase their revenues, such volatility hurts small farmers who are unable to plan harvests ahead of time. It also hurts the very

poor, living on less than \$1 per day without a safety net if food becomes unaffordable, as well as governments that are importers of food and have no recourse if adequate supplies become unobtainable.

David Nabarro pointed to the fact that the structural defects in the world food system stem from decades of underinvestment. From 1980 to 2000, the share of official development assistance dedicated to food and agriculture fell from 18% to 3%. Given that over 50 of the world’s poorest nations have

FOOD SECURITY

The first step in enhancing food security is to understand what it is. Food security does not simply mean producing more food. While population growth will test the world’s ability to supply enough food in the coming decades, food is not scarce globally. A gross lack of food does not explain why one-third of the world is chronically hungry or under-nourished.

Food security connotes the availability of sufficient quantities of food, physical and financial access to food, seasonal and long-term stability of food supplies, and nutritional utilization of food:

ELEMENTS OF FOOD AND NUTRITION SECURITY

e.g. low productivity due to lack of agricultural know how

AVAILABILITY
Small-holder production systems and food markets

ACCESS
Physical access and purchasing power

e.g. inability to obtain adequate food due to too low income and lack of safety nets

e.g. price increases due to food price crisis or seasonal weather shocks

Reduced volatility over seasons and years
STABILITY

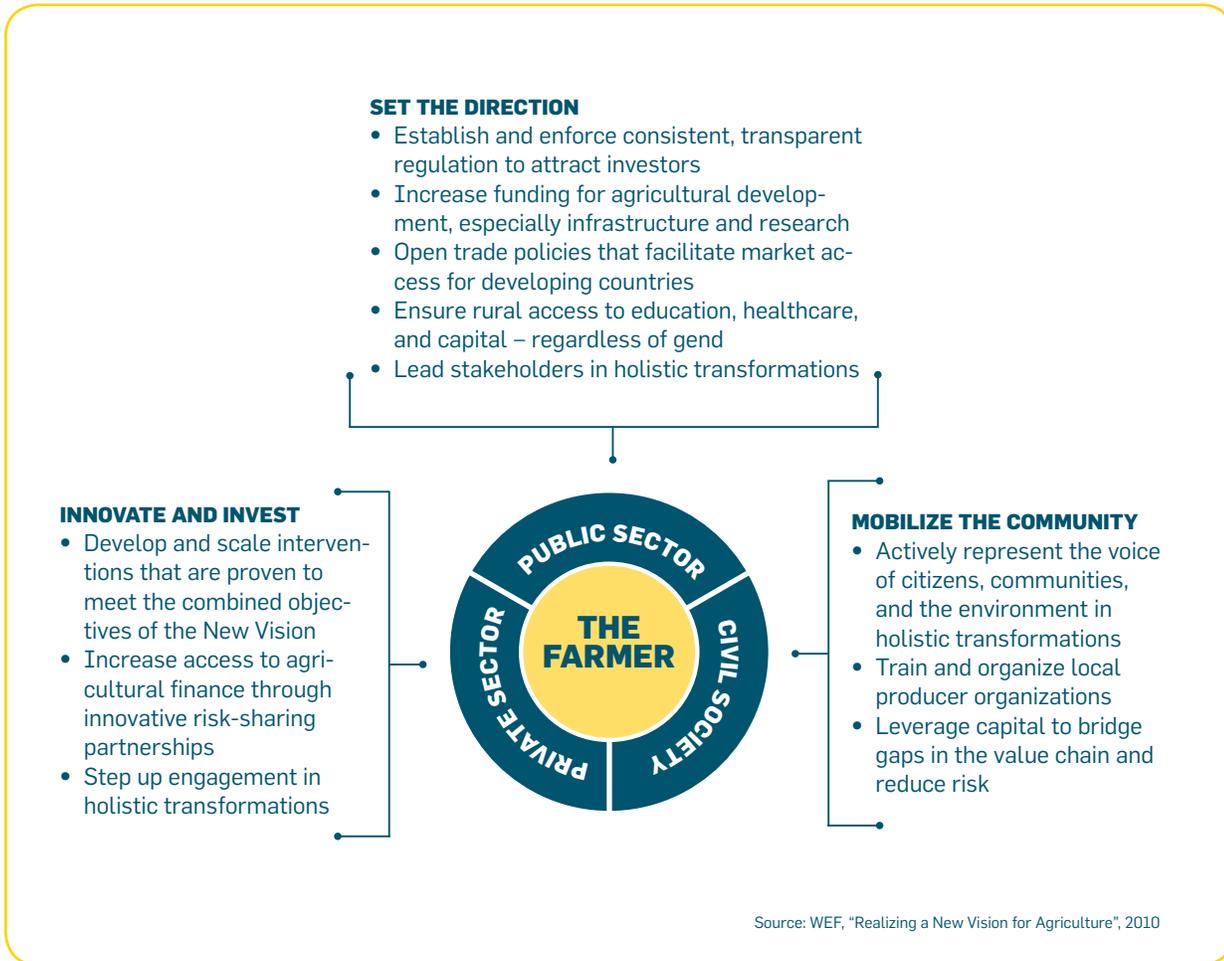
Consumption and utilization of adequate nutrients
UTILIZATION

e.g. insufficient dietary knowledge, e.g. on importance of exclusive breastfeeding

Food production

Nutrient consumption

Source: UN



economies almost 100% based on agriculture, the consequences for development have been serious.

According to David Nabarro, rehabilitating the global food system will require innovative approaches that necessarily involve the private sector. Whereas five years ago the development community could have raised a large fund of concessional aid from donor countries, that money is increasingly hard to come by.

The private sector should look for “win-win-win” solutions that create value for local communities, host states and profit-oriented investors. These are the polar opposites of “land grabs” where sovereign wealth funds, governments or certain corporations displace locals with the connivance of their own

state. Instead, such solutions put the local people involved in agricultural production at the heart of projects.

A chief example of such “People-Public-Private Partnerships” (PPP) is the World Economic Forum’s (WEF) New Vision for Agriculture²². Working across a group of 20 corporate members of the WEF, and leveraging the UN system to access civil society and national leaders at the highest level, the New Vision for Agriculture plans and manages large-scale projects that take an integrated approach to improving whole agricultural value chains, whether by region or agricultural commodity.

The graphic above illustrates the unique roles played by the private

sector, public sector and people (civil society) in forming win-win-win solutions.

To conclude, David Nabarro stressed that there are many opportunities for new business in PPP approaches, though building sufficient trust among the actors takes time. It requires proper facilitation and, importantly, the consistent backing of national leaders in the host countries who may face pressures from human rights groups that are sceptical of the private sector. Experience to date has been encouraging and shows a way forward for addressing food security.

22. World Economic Forum, “Realizing a New Vision for Agriculture: A roadmap for stakeholders”, 2010.

c) Opening plenary: The investment case for responsible investments in agriculture

\$83 billion in agricultural investment will be required annually to feed 9 billion people in 2050, according to the FAO. Meeting this goal, however, will pose issues of environmental and social sustainability. While governments and public funds have an important role to play in setting responsible agricultural policies and supporting initiatives to protect the most vulnerable, the private sector must also contribute funds and expertise to addressing the world's food challenges. This session discussed in detail just how the private sector can and should contribute to forming the agricultural system of tomorrow.

THE EXPERT PANEL FOR THE SESSION CONSISTED OF:

- Philippe Desfossés, Director of the French pension fund ERAFP
- Juan Gonzalez Valero, Head Public Policy and Partnerships at Syngenta
- David Hallam, Head of Trade and Markets Division at the FAO
- José Minaya, Head of Natural

Resources & Infrastructure Investments at TIAA-CREF

- David Nabarro, UN Special Representative on Food Security and Nutrition
- Ivo Knoepfel of onValues moderated the session.

THE KEY QUESTIONS EXPLORED WERE:

- What role is there for private investors in agriculture?
- How can the investment community navigate the challenges of building an agricultural system that meets the needs of more people with less impact on the planet?

Key insights from the session

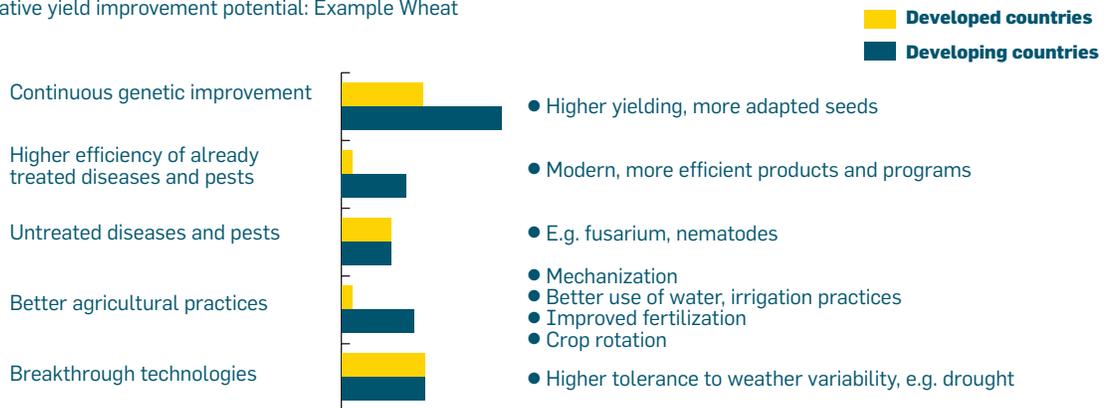
THE ROLE OF PRIVATE INVESTORS

- The audience heard persistently from diverse participants (both public and private) that agriculture is an undercapitalized sector. This owes to a legacy of historically low prices due to domestic subsidies and trade barriers. Rising food prices have attracted investor attention, but new capital must be deployed in a way that supports new models for the food system, rather than reinforcing old practices.

- Participants spent significant time discussing the role of technology. There was a general view that all technologies must be on the table to meet future demand, plus new technologies. This presents a clear role for the private sector, as one participant said: "Meeting the new demand requires a new innovation S-curve. That means investment." And, finding a reason for optimism, "We have coped with much higher demand growth rates in the past". The chart below illustrates potential yield increases from technology in developed and developing countries.
- However, participants also recognized that technology is just a means for farmers to do their job better, a link between people and nature. Farmers must be able to access capital to invest in technical improvements. They also must find ways of managing the risk of such capital investments. The growing problem of farm indebtedness and increased uncertainty on global food markets will deter necessary investments unless the private sector finds innovative solutions. Navigating social and environmental challenges

TECHNOLOGY: MAJOR IMPROVEMENT EVEN IN "TECHNIFIED" SYSTEMS

Relative yield improvement potential: Example Wheat



- Higher yielding, more adapted seeds
- Modern, more efficient products and programs
- E.g. fusarium, nematodes
- Mechanization
- Better use of water, irrigation practices
- Improved fertilization
- Crop rotation
- Higher tolerance to weather variability, e.g. drought

Potential increase of 10-30% in 15 years

Source: Syngenta

- The opening plenary previewed the detailed discussion of ESG issues in farmland, equities and derivatives that would happen later in the day.
- Some participants stressed the fact that, while the awareness for environmental factors has increased in the past years, investors need to focus more on social issues (incl. human rights, workplace safety, the situation of smallholder farmers, local food security) especially as investment activity will increasingly move to developing countries.
- While the impact of single issues such as water scarcity, climate change, and political risks is increasingly understood, panellists pointed to a lack of understanding of the cumulative effects of the many ESG aspects involved.
- Participants from the public sector suggested that investors at the leading edge of social responsibility could play a major role in improving the image of the private sector by clearly articulating their commitment to sustainable investment in agriculture
- Meeting participants expressed a clear interest in developing investment partnerships with the help of corporate and public sector actors, which would be “win-win-win” outcomes for beneficiaries, local communities and national governments
- Another point made was that, given developing countries are clearly the next frontier for institutional investors, it is important to prepare now for the unique set of issues associated with those investments.

d) Panel discussion – Agricultural land investments

In recent years, farmland has attracted increased investor interest due to its characteristics as a “real asset”. Low correlation with other assets, recurring cash flows and a

certain protection from inflation have drawn institutional investors to become farm owners in both developed and developing countries. While new sources of capital are a positive development for a sector that has suffered from chronic underinvestment over the past three decades, this development has also thrown up challenges of market-place transparency and investor accountability, as well as concerns over the environmental and social impact of increased investment flows. Investors active in this area should be aware of these ESG issues and take steps to manage them in their farmland investments.

THE EXPERT PANEL FOR THE SESSION CONSISTED OF:

- Graham Davies, a Consultant with the farmland fund manager Altima Partners
- Jos Lemmens, Senior PM Commodities and responsible for land investments at APG
- Desmond Sheehy, Managing Director with the farmland fund manager Duxton AM
- Christof Walter, Sustainable Agriculture Manager at Unilever

The session was moderated by Bernd Schanzenbächer, Managing Partner and responsible for agricultural land investments at EBG Capital.

THE KEY QUESTIONS EXPLORED WERE:

- What are the most relevant ESG issues involved in managing farmland assets, and why should investors consider them?
- Given that farmland investments are made both directly and indirectly through specialist managers, how can investors ensure that material ESG factors are considered in the management of their investments?
- What role can voluntary standards play in increasing transparency and improving ESG outcomes?

The opening plenary also provided input on farmland investment

topics, and those discussions are incorporated here where relevant.

Key insights from the session

ESG ISSUES IN FARMLAND

- “Responsible investment in agriculture is a necessity, not an option”, said one participant. Investors clearly articulated that an integrated approach to environmental (water, soils, deforestation), social (local communities), and governance issues was central to maintaining and unlocking value in any farmland investment. On the social front, it was more difficult to achieve consensus. On one hand, certain participants linked social performance directly to investment results. For example, keeping good relations with farmers in a region is an excellent way to source deal flow. Or, conducting covert audits of labour conditions is a responsible way to monitor for potentially large reputational risks. One participant explained that his firm works with local operating partners that have a long track record in their region and therefore have a vested interest in preserving good relations with local communities. At the same time, however, other participants were forthright about the fact that large-scale investment in agriculture aims to increase the efficiency of farms, meaning that less people are needed to work the land. While the people who are needed enjoy better jobs, in this scenario, the social contribution of the investor comes more in the form of providing increased tax revenue to the local governments and working on a voluntary basis to improve the situation of local communities. It needs to be said, however, that different types of investors (depending on their investment strategy) will pursue different approaches, and put varying degrees of emphasis on the different elements of this integrated approach.

- Overall, participants agreed that consideration of ESG issues increases the value of investments in the medium to long term
- Among all the ESG issues that can impact the value of a farmland investment, water came up most frequently and forcefully in the discussions. One participant went so far as to say that the water available to a property was worth more than the land itself²³. As such, the sustainable use of water resources (whether they be groundwater reserves, or local rivers and lakes) on agricultural land is deemed critical by all investors, if the value of that land is not to be eroded.
- Pension fund participants made the case that owning land for the long term promotes stewardship among investors
- One participant observed that the need to conduct proper due diligence limits the possibility of investing in low transparency locations
- While the private sector investors around the table supported the view that ESG issues are central to farmland investments, this prompted one participant to question if anyone in fact does not support this view, asking, “who are the black hats?”. There are a number of investor groups which were not present at the meeting who do not prioritize ESG issues. Some of them for example acquire land to secure a stable supply of food for their citizens and do not respond to the same dynamics as the institutional investors in the meeting. Some of the participants felt that their ESG practices were already advanced, but that they could do more in terms of publicising / being transparent with their investments.

THE ROLE OF VOLUNTARY STANDARDS

- Investment managers on the panel had their own set of internal guidelines (developed in accordance with their investors

- / clients) to which they adhere. Participants agreed that, because the concept of “responsible investment” is open to interpretation, detailed voluntary standards are a good way to clarify what practices are expected of investment managers and operators
- According to the asset manager representatives in the room, once end investors specify guidelines, these become hard rules for investment managers. The asset managers, however, feel that too prescriptive rules may restrict the needed flow of capital into certain regions and areas.
- A panellist presented the Unilever Sustainable Agriculture Code, which is a voluntary standard that Unilever developed in the interest of securing its supply of raw materials. The Code was developed from scratch in places, and in others was mapped to existing standards. Hence, in practice, the company will recognize the validity of those pre-existing standards.
- Therefore, there was broad agreement that voluntary standards—either new or adopted from existing best practice guidelines—will improve ESG outcomes in farmland investments, particularly by increasing transparency and allowing best practices to scale up
- Participants questioned, however, how applicable voluntary standards could be to smallholder farmers. There is a risk that such standards create another entry barrier for smallholder farmers wanting to access supply chains. Agricultural extension services could possibly bridge the gap between standards developed for large farmers and smallholders.
- Additionally, there was broad recognition that the host country government must set the conditions for voluntary standards to be effective, particularly enforcing the rule of law. It is the governments of nation states that have the attention of and relationships

with the different investment groups, and it is these governments who have the ability to veto an investment. This is clearly an area where more work needs to be done in order to promote appropriate policies at this level.

e) Breakout 1 – Commodity derivatives investments

Commodity futures and over-the-counter (OTC) derivatives are the most common way for investors to gain exposure to commodity markets. Therefore, it is critical for investors to understand their own impact on these markets and to invest in a way that supports their proper functioning. This session posed questions to investors with the goal of arriving at insights that will help others invest in a responsible manner.

THE EXPERT PANEL FOR THE SESSION CONSISTED OF:

- Helene Winch, a commodities expert and Director of Policy at BT Pension Scheme
- Jeremy Baker, a commodities hedge fund manager at Harcourt Investment Consulting
- Marek Ondraschek, CIO and long-only commodities fund manager at ALNUA Investment Managers
- Beat Zaugg, an investment consultant commodities specialist at ECOFIN

The session also benefited from independent research that had been conducted over the past year on this topic by the moderator, Ivo Knoepfel of onValues.

THE KEY QUESTIONS EXPLORED WERE:

- Is increasing financial investment in commodity derivatives influ-

23. A full overview of the ESG issues involved in farmland investment can be found in “Responsible Investment in Commodities”, onValues Ltd., January 2011 or in the forthcoming summary report on responsible investment in commodities by onValues Ltd., September 2011.

encing prices levels and volatility, and how?

- How can investors contribute to well-functioning markets and avoid negative impacts?
- What is needed from other actors (e.g. regulators, index providers, traders, etc.) to ensure well-functioning markets?
- What innovative approaches exist to better integrate ESG factors in commodities investments?

Key insights from the session

THE IMPACT OF FINANCIAL INVESTORS ON COMMODITIES MARKETS:

- While it is difficult to definitively attribute changes in price levels and volatility to financial investors, investors themselves clearly recognize that in the short term their actions impact prices and contribute to higher volatility. In the medium and long term, prices are more likely driven by fundamentals.
- Participants observed that the sheer size of futures markets has led to a shift in price discovery from the spot to the futures market. The growth in futures markets has been driven by the increased role of financial investors (as can be seen from the graph below showing how financial investors have become

the leading players in CBOT wheat futures markets, compared to fifteen years ago)

- Several participants stressed that financial investors can play a valuable role in supplying liquidity to commercial hedgers
- The discussion pointed to the fact that large inflow in index tracking funds, often motivated by other reasons than fundamental considerations (e.g. herding around a trend or investors allocating to commodities for diversification reasons) can create “bubbles” in commodity markets and drive prices. The graphic below shows the significant role played by index traders in various markets.
- Certain participants felt that investments in commodity derivatives have become less attractive in recent years due to contango and other effects, which has prompted increased investor interest in real assets.

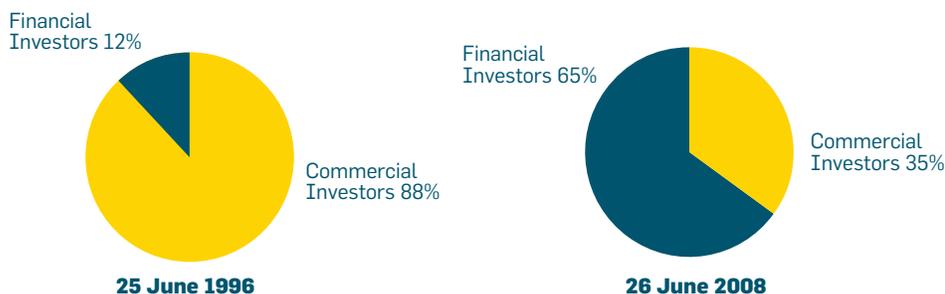
A POTENTIAL ROLE FOR RESPONSIBLE INVESTORS:

- There were diverging opinions about passive investment strategies. Some argued that only passive approaches provide a reliable hedge against inflation and that frequent rebalancing of commodity index allocations within

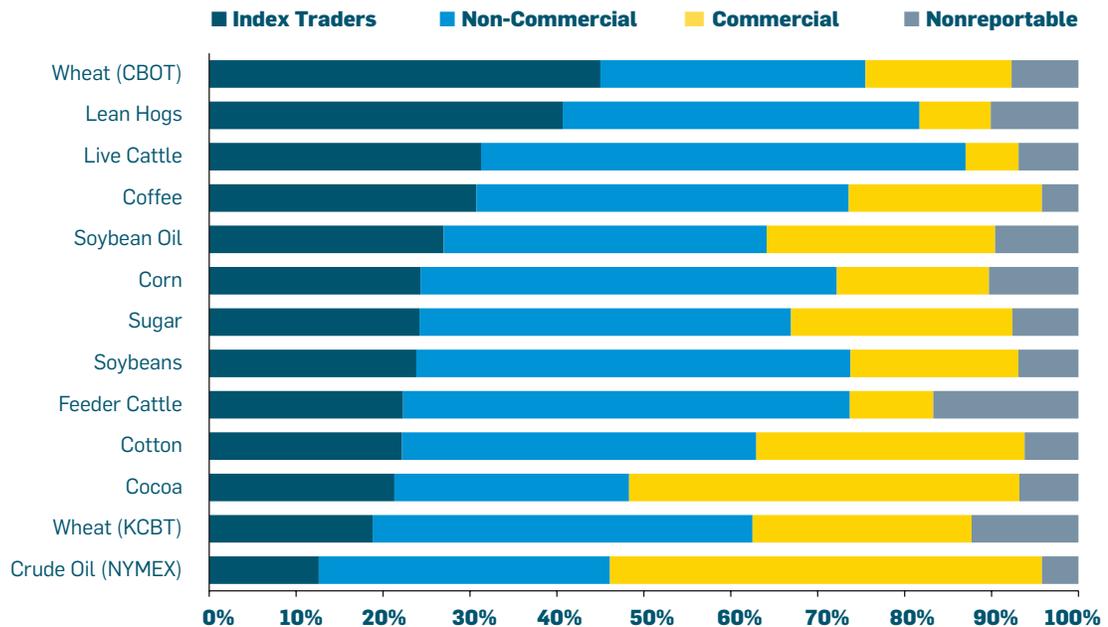
a portfolio tends to stabilise prices, as the investor is a seller of futures when prices go up excessively (and vice-versa). However, other participants argued that, from a financial return perspective, passive approaches will not be able to adjust to periods where commodity markets are highly correlated to equity markets, and therefore active approaches may be preferable overall.

- Participants generally recognized that aggressive momentum-driven strategies can create price bubbles and should be avoided
- Most participants agreed that financial investors should avoid taking physical delivery of commodities
- Investors can use multiple investment channels to avoid single investment managers or funds attaining a dominant market position, emphasised one participant that had seen firsthand how managers seek critical mass to control commodities markets
- “It’s not a casino; we’re not trying to shoot the lights out” said one participant from a pension fund. Investors should communicate reasonable return expectation to managers to avoid excessive risk taking and momentum chasing strategies.

LONG OPEN POSITIONS IN CBOT WHEAT



PERCENTAGE OF TOTAL OPEN INTEREST HELD BY LONG COMMODITY INDEX TRADERS



Source: CFTC. Data as of 30 November 2010

THE ROLE OF OTHER STAKEHOLDERS:

- Commonly, participants felt that market regulators should publish data similar to the CFTC in the U.S. also for other markets and otherwise increase transparency requirements
- In general, commodities markets are not well understood. All stakeholders, including investors, should educate themselves better to improve the sophistication of market interactions. Participants especially would like pension fund trustees to become more familiar with commodities investments.
- Regulators could consider increasing the margin requirement for non-commercial investors to take some “hot money” out of the system. However, certain participants observed that too much regulation could drive markets

offshore rather than reforming them.

- Participants called on index providers to take ESG and market stability considerations into account in defining and weighting the composition of their commodity indexes.

INNOVATIVE APPROACHES

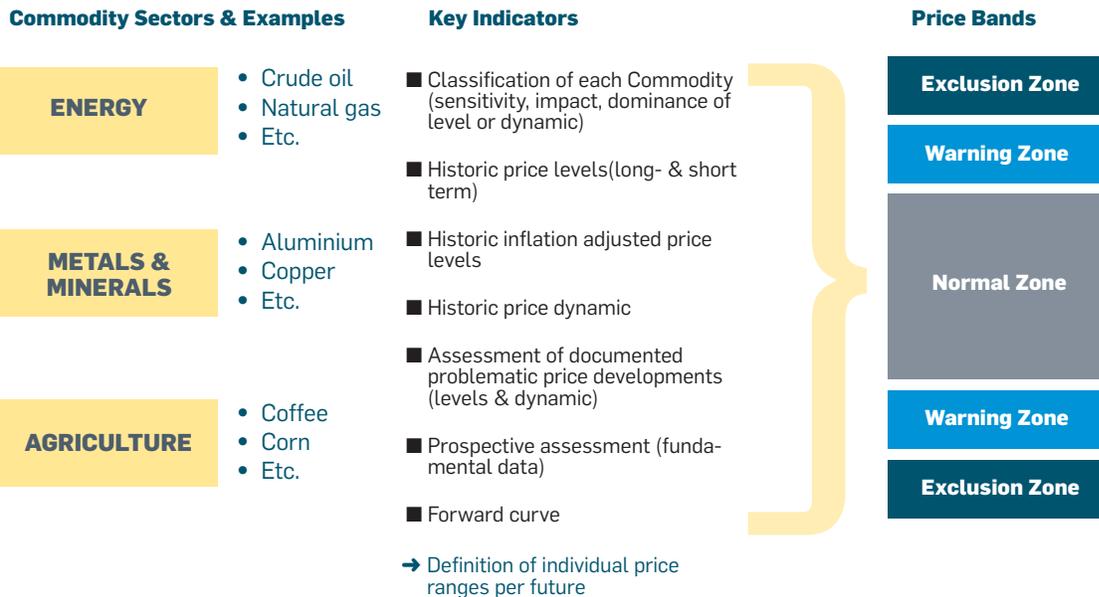
- Several participants identified the opportunity for stakeholders to collaborate in engaging with exchanges in creating a range of ESG-certified contracts for different commodities.
- While investors still do not have an adequate choice of managers who are concerned with systemic impacts on commodities markets, meeting participants heard from one manager that has developed its own process for limiting exposure to commodities with prob-

lematic price dynamics or levels. The graphic below describes some of those considerations.

f) Breakout 2 – Listed equity investments

Many investors use listed equities as a convenient way to gain exposure to agricultural commodities. Most commonly, investors hold shares of agri-chemical and seed producers, agricultural technology companies, farm equipment manufacturers, agricultural producers, and food companies. Both individual company characteristics and the dynamics of the related commodities markets will drive the performance of these holdings. On both fronts, understanding ESG issues will be important in making informed investments and contributing to an

PRICE IMPACT: DEFINITION OF RESPONSIBILITY PRICE RANGE PER COMMODITY



Source: Alnua Investment Managers

overall improvement of the agricultural sector. The session therefore aimed to ascertain the level of ESG understanding and to provide participants with insights for improving the level of ESG consideration in investments generally.

THE EXPERT PANEL FOR THE SESSION CONSISTED OF:

- Gertjan van der Geer, an Agricultural Fund Portfolio Manager at Pictet & Cie
- Klaas Smits, the Head of Food and Agri Strategies at Robeco
- Gabriella Ries, a Research Analyst specialized on agriculture at Bank Sarasin & Cie
- Bruce Tozer, the Head of EMEA Softs & Agricultural Products at Crédit Agricole

The session was moderated by Peter Zollinger of Globalance Bank, who has long experience advising food companies on sustainability issues.

THE KEY QUESTIONS EXPLORED WERE:

- To what extent do equity investors systematically take ESG issues into account in their investment decision making?
- How can investors improve their understanding of ESG value drivers and their use of ESG analysis?
- How can investors engage with companies to promote more sustainable business practices?

Key insights from the session

THE EXTENT OF ESG INFORMATION USED IN INVESTMENT DECISIONS

- As hypothesized before the meeting, participants with a direct view on asset manager practices concluded that, while most managers have a general familiarity of ESG issues such as water scarcity, climate change, and food crises, almost none used ESG information in a systematic manner to drive investment decisions (e.g.

through inclusion in quantitative valuation models)

- Particularly, participants felt there was a lack of understanding on the cumulative effects of ESG issues
- In particular, the largest agricultural investors are not actively participating in the ESG discussion. One participant noted that, often, large agricultural equity funds are run as ETFs, which would not have the resources to conduct ESG analysis even if they had the interest.
- In other cases, sustainable investment policies have made little difference in investor practices, appearing to be, as one participant put it, “old wine in new bottles”
- However, some investors have made thoughtful efforts to incorporate sustainability considerations into their agricultural equity investments. One portfolio management participant present-

ed his fund's approach, which quantitatively integrates ESG scoring into the calculation of weighted average cost of capital and also top-line sales estimates, in addition to other screens applied.

THE VALUE OF ESG ANALYSIS

- A quick poll of the room at the beginning of the session threw up clear articulations of how ESG issues can materially impact share performance. Using the example of the Unilever Sustainable Agriculture Code, participants cited specific business reasons why this should improve prospects for the food company. Securing key feed stocks, enhancing brand value and attracting a young generation of talent were all reasons why the Code would have a material affect on financial results.
- Investors need to be addressed in the business language of “sourcing, brands and talent” rather than abstract ESG terms to be persuaded of the financial materiality of ESG analysis
- Peer investors can articulate how using ESG analysis has helped their results. For example, one

fund manager cited the ESG-based exclusion of a palm oil company that recently was targeted by an NGO ad campaign and consequently lost a key contract with Wal-Mart.

- Nevertheless, there was a general appreciation for the challenges of looking in detail at agricultural supply chains to determine how holdings are managing risks. More comprehensive research in this area would be valuable.

ENGAGEMENT TO PROMOTE SUSTAINABILITY AT THE COMPANY-LEVEL

- As one participant said, “the world of tomorrow will largely be the world we create today”, meaning society is at a critical moment and the decisions made today will last into the future. Participants generally expressed a sense of urgency to link their investment activities with the global challenges presented in the first part of the day. Engaging with companies is an important tool to that end.
- A focus on financial materiality also pays off when working with companies to improve their ESG profile, according to participants that are active in this area

- Participants came to understand that, given the complexity of the agricultural value chain, attention should be focused on key leverage points, which vary market to market
- Participants also recognized the opportunity to leverage existing best practice guidelines. They would encourage companies to actively participate in supply chain initiatives aimed at developing voluntary standards. However, participants clearly saw that such standards initiatives could be stricter about qualification for membership.
- NGOs can be valuable partners for investors to improve their knowledge of best practices in agricultural markets
- “If twenty of the world's largest investors all took 90% similar positions on the most critical companies, that would focus attention”, said one participant, voicing the group feeling that more collaborative engagement among investors should be done.

“You really do have to wonder whether a few years from now we’ll look back at the first decade of the 21st century — when food prices spiked, energy prices soared, world population surged, tornados plowed through cities, floods and droughts set records, populations were displaced and governments were threatened by the confluence of it all — and ask ourselves: What were we thinking? How did we not panic when the evidence was so obvious that we’d crossed some growth/climate/natural-resource/population redlines all at once?”

—Thomas Friedman, June 7, 2011

g) Conclusion **– A fireside chat on the future of agricultural investment**

The conference closed with a “fireside chat” between Donald MacDonald, Trustee of the British Telecom Pension Scheme and founding Chairman of the PRI, and Peter Zollinger of Globalance Bank. Prompted by the above quote, Donald MacDonald offered his thoughts on the day²⁴.

According to Donald MacDonald, the meeting represents the “first

stage of a long journey” to bring the investment community in line with the world’s agricultural needs. The issues discussed on the day fundamentally concern the global competition over scarce resources. Dwindling supplies of energy, water, and land have already begun to stress national food supplies, and competition over food will increase in the future.

“Our duty is to approach this situation not just as investors but as citizens”, Donald MacDonald said. The investment community can play an important role, but time

is of the essence. Investors must urgently familiarize themselves with the dynamics of agriculture as an investment topic, and must show greater imagination in planning for a global economy that will be starkly different from the past. If investors seize this moment, there is a window of opportunity to set industry-wide standards through responsible leadership in agricultural investment.

24. Where these thoughts pertained specifically to the topics of previous sessions, they have been included under those specific sections.

APPENDIX TO CONFERENCE REPORT

AGENDA - AGRICULTURE INVESTING FOR THE LONG TERM: THE INVESTMENT CASE FOR RESPONSIBLE INVESTMENTS IN AGRICULTURE

Friday, 17 June 2011 – 9:00 to 16:15

Centre International de Conférences Genève, 17 rue de Varembe CH-1211, Genève | T: +41 22 791 9111

08:15 Registration Opens

09:00 Chairman's and hosts' opening remarks

- Ambassador Jürg Lauber, Permanent Mission of Switzerland to the UN
- Rob Lake, Director of Strategic Development, PRI
- Ivo Knoepfel, Managing Director, onValues Ltd.

09:15 Keynote address

- > What role do different actors play in preventing a global food security crisis?
- David Nabarro, UN Special Representative on Food Security and Nutrition

09:45 Panel discussion – A framework for responsible agri-investment

- > What role is there for investors in the transition to more sustainable agriculture? A discussion between policy makers, commercial and financial investors
- Philippe Desfossés, CEO, ERAFP (French Public Service Additional Pension Scheme)
- José Minaya, Head of Natural Resources & Infrastructure Investments, TIAA-CREF
- David Hallam, Head of Trade and Markets Division, FAO
- David Nabarro, UN Special Representative on Food Security and Nutrition
- Juan Gonzalez Valero, Head Public Policy and Partnerships, Syngenta

11:00 Panel discussion – Agricultural land investments

- > What ESG issues need to be addressed by investors in farmland?
- > How can investors work with managers and operators to promote sustainable practices?
- Jos Lemmens, Senior Portfolio Manager, APG
- Desmond Sheehy, Managing Director, DuxtonAM
- Graham Davies, Consultant, Altima Partners
- Christof Walter, Sustainable Agriculture Manager, Unilever

12:30 Lunch

13:30 Breakout Sessions:

Breakout 1 – Commodity derivatives investments (Rm. 5+6)

- > Is growing investment in soft commodity futures / indexes contributing to price volatility?
- > What measures can investors take to avoid disruptive effects on commodity markets?
- Helene Winch, Head of Policy, BT Pension
- Jeremy Baker, Commodity Portfolio Manager, Harcourt Investment Consulting
- Marek Ondraschek, CEO, Alnua Investment Mg.
- Beat Zaugg, Senior Consultant, ECOFIN

Breakout 2 – Listed equity investments (Rm. 20)

- > Risks and opportunities for listed equity portfolios: How can investors address climate change, water scarcity, food shortages in their investment decisions and active ownership policies?
- Gabriella Ries, Research Analyst, Bank Sarasin
- Bruce Tozer, Head of EMEA Softs & Agricultural Products, Crédit Agricole
- Gertjan van der Geer, Senior Investment Manager, Pictet & Cie
- Klaas Smits, Head of Food and Agri Strategies, Robeco

Short coffee break

15:00 Concluding plenary session (Rm. 5+6)

- > What lessons and common ground have been established during the day?
- > What areas require more research and discussion among investors and stakeholders?
- Helene Winch, Head of Policy, BT Pension
- Rik Plomp, Head of Real Assets & Insurance, PGGM
- Karina Litvack, Head of Governance, F&C Asset Management

15:45 Concluding remarks

- > What is the way forward for responsible investors in agriculture?
- Donald MacDonald, Trustee, BT Pension
- Peter Zollinger, Head of Impact Research, Globalance Bank

PARTICIPANT LIST

Participant Name	Organization	Position
Stefan Baecke	Rabobank Nederland	CEO, Rabo FARM
Jeremy Baker	Harcourt Investment Consulting AG	Commodity Portfolio Manager
Hans-Ulrich Beck	Sustainalytics	Global Director, Research
Seb Beloe	Henderson Global Investors	Head of SRI Research
Christoph Buchmann	InCentive Asset Management AG	Portfolio Manager
Arne Cartridge	World Economic Forum (WEF)	Special Advisor, Global Partnerships for Food Security
Ben Cotton	Earth Capital Partners	Partner
Frank Curtiss	Railway Pension Trustee Company (Railpen)	Head of Corporate Governance
Graham Davies	Altima Partners LLP	Consultant
Benoit de Combaud	Combaud Industries	CEO
Renier de Man	Sustainable Business Development	Director
Philippe Desfossés	ERAFP	CEO
Christoph Eibl	Tiberius Group	CEO
Simon Fox	Mercer (UK)	Senior Researcher, Alternatives
Juan F Gonzalez-Valero	Syngenta International AG	Head Public Policy and Partnerships
Gabriela Grab	SAM Sustainable Asset Management	Agri Theme Coordinator
Natacha Guerdat	ConSer Invest	Partner
David Hallam	Food and Agriculture Organization (FAO)	Head of Trade and Markets Division
Daniel Hough	Macquarie Agricultural Funds Management	Head of Europe
Julie Hudson	UBS Investment Bank (Research)	Head of SRI Research
Harry Hummels	SNS Asset Management	Managing Director SNS Impact Investing
Anna Hyske	Ilmarinen Mutual Pension Insurance Company	Head of Responsible Investment
David V. Imbert	onValues	Consultant
Till Jung	oekom research	Director Business Development
Manfred Kaufmann	DEZA	Programme Manager
Ivo H Knoepfel	onValues	Managing Director
Rob Lake	UN PRI	Director of Strategic Development
Florence Lasbennes	United Nations	Food Security Task Force Manager
Jürg Lauber	Swiss Federal Department of Foreign Affairs	Ambassador, Permanent Mission of Switzerland to the UN
Pierre Lavaud	JetFin	CEO
Jean Laville	Ethos	Deputy Director
Jos Lemmens	APG Asset Management	Senior Portfolio Manager Commodities
Karina A Litvack	F&C Asset Management	Director Head of Governance and Sustainable Investment
Donald MacDonald	BT Pension Scheme Management Ltd.	Trustee
Jose Minaya	TIAA-CREF	Head of Natural Resources & Infrastructure Investments
Hafiz Mizra	UNCTAD	Chief, Investment Issues
Corrina Morrissey	Swiss Federal Department of Foreign Affairs	Assistant
Lionel Motière	Diapason Commodities Management SA	Chairman
Christoph Müller	NEST Pension Fund	Member of the Investment Committee
David Nabarro	United Nations	UN Special Representative for Food Security and Nutrition
Marek Ondraschek	Alnua Investment Managers	Managing Partner & CEO
Susanne Pedersen	Arbejdsmarkedets Tillaegspension (ATP)	Senior Adviser Responsible Investment
Anna Pot	APG Asset Management	Senior Sustainability Specialist
Andrea Ries	DEZA	Sustainability and Multilateral Affairs
Gabriella Ries	Bank Sarasin & Co.	Research Analyst
Bernd Schanzenbächer	EBG Capital	Managing Partner
Desmond Sheehy	Duxton Asset Management	CIO
Klaas Smits	Robeco	SVP, Head of Food and Agri Strategies
Bruce Tozer	Crédit Agricole	Head of EMEA Sales Softs & Agricultural Products

PARTICIPANT LIST

Gertjan	van der Geer	Pictet & Cie	Senior Investment Manager
Nadine	Viel Lamare	AP1	Senior ESG Analyst
Philip	Walker	SIFEM	Investment Analyst
Christof	Walter	Unilever	Sustainable Agriculture Manager
John K	Wilson	TIAA-CREF	Director of Corporate Governance
Helene	Winch	BT Pension Scheme Management Ltd.	Director, Head of Policy
Lara	Yacob	Robeco	Senior Engagement Specialist
Beat	Zaugg	ECOFIN Investment Consulting AG	Senior Consultant
Peter	Zollinger	Globalance Bank AG	Head of Impact Research

BIBLIOGRAPHY OF "FOOD FOR THOUGHT" READINGS SENT TO PARTICIPANTS

Juntunen, P., "Future Farmers", Investments & Pensions Europe, July 2010.

onValues, "Agriculture Overview", June 2011.

onValues, "As food prices rise, investors should consider systemic impacts of their commodities strategies", Responsible Investor, January 2011.

Röhrbein, N., "Grub first, then ethics", Investments & Pensions Europe, May 2011.

Stewart, M., "Whipping up the amber waves", Investments & Pensions Europe, May 2011

APPENDIX 4.

THE PRINCIPLES FOR RESPONSIBLE INVESTMENT IN FARMLAND

SEPTEMBER 2011

Preamble

In recent years, investment in farmland^A has emerged as a new asset class for institutional investors. These “Principles for Responsible Investment in Farmland” (“The Farmland Principles”) are designed to guide institutional investors^B who wish to invest in farmland in a responsible^C manner.

As institutional investors, we have a fiduciary duty to act in the best long-term financial interests of our beneficiaries and clients. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) factors can represent sources of financial risk and opportunity for our investment portfolios. At the same time we acknowledge that farmland investments have implications for the people and the natural environment in the places where we invest. We are therefore committed to incorporating ESG factors into our investment policy and processes where appropriate.

The Farmland Principles will serve as a common framework for the specific farmland investment policies and practices of each institutional investor in support of implementation of the Principles.

Our commitment

We are committed to implementing the Farmland Principles in all our farmland investments. We will do this by applying the Farmland Principles to pre-investment due-diligence and to the selection of investment managers and operators acting on our behalf^D, and through ongoing oversight and governance of our investments.

As long-term investors we believe that the interests of our beneficiaries and clients will be best served by farmland operations that respect the environment, adhere to responsible labour practices and maintain positive stakeholder relations. Where feasible we will invest in technology and infrastructure to

improve productivity and enhance environmental performance. These investments may contribute to local development and relieve pressure for farmland expansion.

We support the development of best-practice ESG standards and guidelines^E for agricultural commodity production and will ask investment managers and operators acting on our behalf to apply them where applicable and to contribute to their further development. While such standards already exist for other sectors, best-practice standards for farmland management are at an early stage. We are committed to contributing actively to their further development.

We will review the Farmland Principles from time to time based on implementation experience, and in order to reflect ongoing learning and emerging best practice.

Principles for Responsible Investment in Farmland

PRINCIPLE ONE: PROMOTING ENVIRONMENTAL SUSTAINABILITY

We will promote measures aimed at protecting the environment and contributing to the sustainability of specific crops and locations, for example by reducing soil erosion, protecting biodiversity, reducing chemical emissions, effectively managing water,

and mitigating climate impacts.

We will require investment managers and operators acting on our behalf to conduct an environmental assessment identifying the relevant environmental impacts and risks of a planned investment.

Based on this environmental assessment, investment managers and operators will be expected to implement mitigation and management measures relevant and appropriate to the nature and scale of the proposed investment.

PRINCIPLE TWO: RESPECTING LABOUR AND HUMAN RIGHTS

We will respect labour and human rights in our farmland investments. We will require investment managers and operators acting on our behalf to do the same and to avoid complicity in human rights abuses.

We will require investment managers and operators to identify rel-

evant labour and human rights risks and impacts of a planned investment and to implement mitigation and management measures to address them appropriately.

Depending on the location and the nature of the investment, we expect investment managers and operators

to explicitly implement policies to respect rights such as those relating to indigenous peoples, vulnerable groups, unique cultural systems and values, local food security, labour and any other relevant rights in the scope of their risk assessment and mitigation measures.

PRINCIPLE THREE: RESPECTING EXISTING LAND AND RESOURCE RIGHTS

We will respect the existing use of and ownership rights to land and other resources and we will require investment managers and operators acting on our behalf to do the same.

Investment managers and operators acting on our behalf will be required to implement processes for

land acquisitions and related investments that are culturally appropriate and transparent, are monitored, ensure accountability and the engagement with relevant stakeholders.

For investments with potential significant adverse impacts^f on affected communities, the investment

managers are expected to implement processes to ensure their free, prior and informed consultation^g and facilitate their informed participation as a means to establish whether a project has adequately incorporated affected communities' concerns.

PRINCIPLE FOUR: UPHOLDING HIGH BUSINESS AND ETHICAL STANDARDS

We will promote high business and ethical standards in our farmland investments.

We will require that investment managers and operators acting on

our behalf respect the rule of law even where it is poorly enforced. We will also require them to implement processes aimed at avoiding corruption in all its forms, including

extortion and bribery, and to reflect an informed view of industry best-practice in their operations.

PRINCIPLE FIVE: REPORTING ON ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES AND PROMOTING THE PRINCIPLES

We will report publicly on our activities and progress towards implementing the Farmland Princi-

ples, taking into account appropriate confidentiality considerations.

We will encourage other institu-

tional investors to endorse and implement the Farmland Principles.

Annexes to the Principles for Responsible Investment in Farmland

Annex 1 – Notes

A: The attractiveness of investment in farmland derives from the expected low correlation of its returns with other asset classes and its potential for relatively stable cash flows to investors. There are various ownership and/or operating models that institutional investors can adopt for farmland:

- buy the land and operate at their own risk, (with exposure to the commodity price of the crop);
- buy and lease to a farmer (receiving a fixed rate return);
- buy and receive revenue based on a combination of the two previous models (cropsharing).
- lease from the owner and operate at their own risk or shared risk.

These models can be implemented through direct investments, or funds or funds-of-funds managed by a third party.

B: Institutional investors are organizations that pool large sums of money and invest them on behalf of their clients and beneficiaries. Types of typical investors include banks, insurance companies, national pension schemes, retirement or pension funds, hedge funds, investment advisors and mutual funds. Their role in the economy is to act as professional investors on behalf of others. Institutional Investors have a fiduciary duty to act in the best financial interest of their beneficiaries.

C: As described by the UN-backed Principles for Responsible Investment initiative (www.unpri.org), ‘responsible investors’ take a long-term view in managing their assets and are convinced that certain ESG issues can affect the performance of their investment portfolios and therefore need to be taken into account in investment management and ownership policies and practices.

D: As noted above, institutional investors often invest through a fund or a fund-of-funds structure. The institutional investor or the investment manager, in turn, often delegates the task of operating and managing the land to a specialist operator. This limits the extent to which the institutional investor can control the way the land is managed once the investment has been made. This is why the institutional investor, as part of its pre-investment due diligence process, will actively ensure that the investment managers and operators have the policies, systems and expertise needed to integrate ESG considerations into their investment decisions and ownership activities. Prior to committing capital, the investor will also discuss the ESG-related disclosures that the investment managers and operators will be required to provide during the life of the relationship.

E: A range of voluntary standards and guidelines for actors along different agricultural supply-chains (including investors) are currently being developed. Relevant initiatives include the Roundtable on Sustainable Biofuels, the Roundtable on Responsible Soy, the Roundtable on Sustainable Palm Oil, and the Better Sugarcane Initiative. The IFC Social and Environmental Performance Standards also provide a relevant overall framework for farmland investments.

F: Adverse impacts are significant if they severely impact the well-being and livelihood of whole communities, as opposed to the well-being and livelihood of single individuals or groups.

G: Please refer to the IFC Performance Standards on Social & Environmental Sustainability for

guidance on the concept of free, prior and informed consultation and informed participation.

Annex 2 - Examples of implementation measures

We expect our investment managers and operators to take the practical steps necessary to implement the Farmland Principles. These will differ greatly depending on the local context and the planned use of the land.

We include here some examples of possible implementation measures by local land operators. The information is for illustrative purposes only and is by no means exhaustive. It should not be seen as a prescription in defining an implementation plan, which will always have to reflect the specific situation and use of the land.

Examples of implementation measures:

- Introduce a system to monitor and manage agrochemical use with a view to minimizing risks and impacts on the environment, farm workers and local communities
- Introduce a soil management and conservation system
- Introduce a system to monitor and manage water use with a view to using water more efficiently, protecting and enhancing water quality and minimising water pollution
- Implement an energy and waste management system, aimed at using energy more efficiently, reducing greenhouse gas emissions and minimizing waste production (for example through reuse/recycling)
- Introduce measures to protect biodiversity, including endangered species and sensitive ecosystems (for example protected areas within own properties)
- Implement a health and safety

management system for employees and contractors

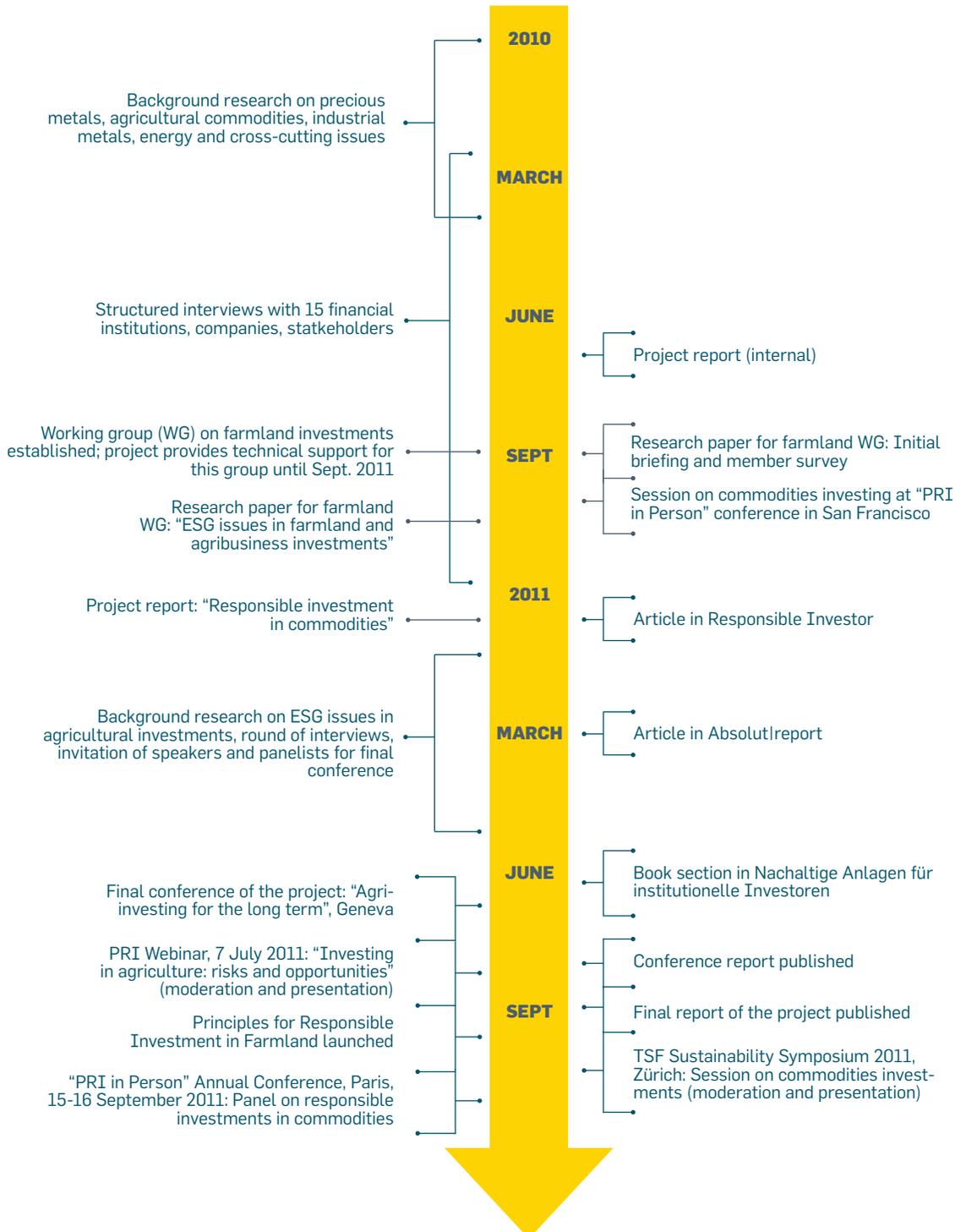
- Define and monitor the implementation of standards for suppliers and contractors, including human rights issues and environmental protection
 - Define and monitor the implementation of a policy explicitly prohibiting the use of child and forced labour
 - Establish a training program for employees with the goal of better implementing social, environmental, health and safety measures
- Commit to using crops and animal husbandry systems that are suited to the specific region / climate
 - Avoid using new crops where potential negative impacts are not fully understood
 - Avoid investments in regions where compliance with local law is difficult to enforce
 - Avoid land acquisition which results in involuntary resettlement, or has significant impacts on local communities, disadvantaged or vulnerable groups and unique cultural systems and values, un-

less appropriate decision-making procedures are followed

- Work with local officials and other leaders to ensure community support
- Use consultants and auditors with local know-how
- Where appropriate, support measures aimed at improving the livelihoods and health of local communities.

APPENDIX 5.

PROJECT TIMELINE



APPENDIX 6.

PROJECT BIBLIOGRAPHY AND EVENTS

PUBLICATIONS:

- Project report: "Responsible investment in commodities - The issues at stake and a potential role for institutional investors", Discussion draft, August 2010 (internal report)
- Project report: "Responsible investment in commodities - The issues at stake and a potential role for institutional investors", January 2011 (published on PRI and onValues websites, summary on UN Global Compact website)
- Article in Responsible Investor, January 2011
- Article in AbsolutReport, March 2011
- Book section in Nachhaltige Anlagen für institutionelle Investoren, Mirjam Staub-Bisang ed., Verlag Neue Zürcher Zeitung: Zürich, 2011
- Conference report: "Agri-investing for the long term", August 2011
- Final report of the project, September 2011

CONFERENCES AND EVENTS:

- "PRI in Person" Annual conference, San Francisco, 6-7 Oct. 2010: Session on commodities investing (organisation, moderation, presentation)
- Final conference of the project: "Agri-investing for the long term", Geneva, 17 June 2011(organisation, moderation, presentation)
- PRI Webinar , 7 July 2011: "Investing in agriculture: risks and opportunities" (moderation and presentation)
- Launch of Principles for Responsible Investment in Farmland (planning, media release and PRI websites)
- TSF Sustainability Symposium 2011, Zürich, 19 September 2011: Session on commodities investments (moderation and presentation)
- "PRI in Person" annual meeting, Paris, 15-16 September 2011 (panel moderation on: "Feeding the world: Is there a role for investors in agricultural commodities and farmland?")



Published by the UN Global Compact Office
Contact: globalcompact@un.org
September 2011