

# Corporate Social Responsibility



*Top: Balancing environmental values and societal needs  
Above left: Plantation management and agronomics training  
Above right: Education provided for local children*

## BALANCING GROWTH AND SUSTAINABILITY

In recent years, environmental challenges have emerged at the forefront of public awareness and spawned the ratification of various international treaties designed to combat climate change. The United Nations (UN) has taken the lead in setting the agenda to tackle many of the environmental issues plaguing our world today.

The stringent environmental and social standards set by prominent platforms such as the UN Climate Change Conference in Bali, Kyoto Protocol and Johannesburg Earth Summit are a clear reflection of the more demanding world in which we live.

Businesses are embracing corporate social responsibility – a move that acknowledges their obligations and the symbiotic nature of their relationship with the natural and social environment.

### Sustainable Development – Wilmar's Approach

Sustainable development is a top priority and Wilmar takes a holistic and practical approach to doing business that encompasses a universally acceptable code of conduct.

The adoption of the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria (P&C) marks a significant step for Wilmar. Together with other applicable international and local environmental standards, it will drive the integration of a sustainable approach in all aspects of its operations. Striving for certification based on the RSPO scheme will remain at the top of the Group's development agenda as it lays the ground for sustainable growth.

Reflecting the social dimension of its business strategy is Wilmar's extensive community development programme. This takes into account the 10 universally upheld principles of the UN Global Compact, which the Group has committed to adhering to as part of its corporate citizenship initiative. It is the Group's belief that these principles will help add further momentum to its social efforts to make a genuine beneficial impact on the society within its sphere of influence, and the broader community that gives it the social legitimacy to operate.

Wilmar also recognises that transparency is key to building trust and credibility, and it places importance on the opinions of its stakeholders. In October last year, the RSPO sought a response on complaints raised by some civil society organisations over the practices on the ground by three of Wilmar's plantations in West Kalimantan. Wilmar is pleased that its response was consensually accepted by RSPO. The Group treats legitimate issues raised against it very seriously. A thorough review of the Group's operations revealed that some areas within its operational procedures and systems needed improvement. This process of rectification and improvement is ongoing; Wilmar remains ever committed, and will continue to work towards responsible palm oil production. The Group will also continue to widen its stakeholder engagement to reach out to a more representative cross-spectrum of its stakeholder base.

### Palm Oil Can Be a Sustainable Crop

It is a shared belief in the industry that palm oil production can enjoy longevity if companies adopt responsible best practices such as the RSPO P&C.

This refers to a framework of global standards for sustainable palm oil production that is developed and accepted by a representative group of stakeholders throughout the entire palm oil value chain.

Wilmar has been a member of the RSPO since 2005, and has been active in many aspects of its initiatives. As a grower, the Group – through its subsidiary PPB Oil Palms Berhad (PPBOP) – contributed to the development of the RSPO standards framework, and was a participant in a two-year trial implementation project till November 2007 to field-test and review a set of principles and criteria for sustainable palm oil production.

The industry's effort came to fruition when the RSPO P&C framework was formalised and officially launched in November 2007. Wilmar believes that commitment to these standards by stakeholders in the palm oil value chain is expected to herald business viability, environmental sustainability and social prosperity.

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## UNITED NATIONS GLOBAL STANDARDS

Wilmar made a landmark move when it became a signatory to the UN Global Compact, the world's largest voluntary corporate citizenship initiative, in 2007.

The Group recognises its operations will bring about certain effects on society. Its pledge to this UN initiative – whose principles concern the areas of human rights, labour, the environment and anti-corruption – will assist Wilmar in addressing some of the societal challenges, turning them into opportunities.

The UN Global Compact has been signed by more than 4,700 companies and stakeholders around the world who are committed to advancing sustainability. Established in July 2000, the Compact seeks to promote responsible corporate citizenship by providing a framework for businesses to follow in response to the challenges of globalisation.

## POLICY SET-UP AND IMPLEMENTATION

Wilmar has developed and implemented a wide-ranging set of policies to ensure that its operations conform to the principles of sustainable, environmentally responsible and socially acceptable production.

These include, but are not limited to, the declaration on RSPO and policies on the environment, land conversion, corporate social responsibility, occupational health and safety, child labour and sexual harassment.

In particular, Wilmar's land conversion policy mandates strict adherence to a no-burn practice in line with the Group's zero-burning policy.

Wilmar also prohibits development on lands found to possess high conservation value (HCV) and on deep peat lands with peat soil depth of more than three metres, in compliance with the legal regulation in Indonesia.

Wilmar endeavours to be a socially responsible company and will only carry out development on lands upon obtaining consensus from all concerned stakeholders.

## ENVIRONMENTAL SUSTAINABILITY

At Wilmar, operating in an environmentally sound manner makes good business sense and underscores the Group's commitment to environmental sustainability.

Responsible business practices help to mitigate negative environmental impact and deliver on environmental longevity, which is desired by all stakeholders. Furthermore they also provide cost-efficiency in terms of energy self-sufficiency, reduction in pesticide and inorganic fertiliser use, and optimisation of yield gains, thereby enhancing returns to the company.

This two-pronged benefit drove some of Wilmar's sustainability initiatives in 2007.

## Conservation

Wilmar upholds a policy of enhancing and maintaining flora and fauna species, and uses a flexible menu of conservation practices to protect natural habitats that are found to be rich in biodiversity.

The Group has committed to conducting high conservation value forest (HCVF) assessments before commencing any new plantation development activities. HCVF is defined as forests of outstanding and critical importance due to their high environmental, socio-economic, cultural, biodiversity or landscape value (as defined by the Forest Stewardship Council). The results of the HCVF assessments will be fully incorporated into management plans for plantation development.

A case in point is the collaboration with WWF Indonesia. Through Wilmar's subsidiary, PPBOP, a Memorandum of Understanding was signed with WWF Indonesia in 2007 to conduct HCVF assessments in some of its plantations

in Indonesia. The objective of this assessment was to provide the Company with awareness on the conservation potentials (including rare flora and fauna species as well as historical/cultural sites) in its plantation areas, and make recommendations to maintain and protect these storehouses of tropical biodiversity.

Wilmar has also established buffer zones and riparian reserves between forests, major rivers and the plantations in some of its areas. To safeguard the sanctity of wildlife residing in these green zones against potential threats, the Group has honorary wildlife game wardens with full police power and authority to deal with illegal poaching activities.

Additionally, Wilmar is looking to develop wildlife corridors to enable seasonal wildlife migration between biodiversity areas and other natural habitats.

The Group has also implemented broader measures in educating and training Wilmar's plantation personnel and contractors on conservation, including HCVF management concepts and practices to stop illegal wildlife trade and game meat consumption.



*Protecting the environment to preserve biodiversity*

## Water Quality

Wilmar monitors and treats all effluent and wastewater. Wastewater generated from its milling operations contains organic materials from the crushing of palm fruits. The organic content of the wastewater is then reduced as the water passes through various processes, relying on the natural activities of anaerobic and aerobic bacteria to break down organic materials. This eliminates the need to add chemicals before the water is discharged. Such a treatment process enables the mill to meet all stringent national legal standards.

The Group also uses effluent water for land irrigation and fertiliser, thus enabling it to conserve water and reduce the need for additional fertiliser application on its palm trees.

## Greenhouse Gas Emissions and Energy Efficiency

Wilmar is constantly seeking to mitigate its greenhouse gas (GHG) emissions. The Group has three Clean Development Mechanism (CDM) projects registered with the United Nations Framework Convention on Climate Change (UNFCCC) which are already generating carbon credits in the form of Certified Emission Reductions (CERs). These projects include biomass energy plants which use waste products and biomass such as empty fruit bunches, shells and mill fibre instead of fossil fuels. These projects displace electricity from the national grid, local grid and diesel-fired plant generators by replacing existing systems and generating "carbon-neutral" electricity.

Several more projects are in progress – in the Group's palm oil mills – to reduce methane emissions from anaerobic palm oil effluent ponds by trapping the greenhouse gas and utilising it for power generation.

Wilmar is committed to enhancing energy efficiency in all areas of our operations and mitigating GHG emissions by means of clean energy wherever possible, and will continue to invest in projects that reduce the Group's carbon footprint.

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## SOCIAL STEWARDSHIP

Wilmar believes that business success can only be achieved if the local communities grow in tandem with its own growth. As such, the Group is committed to establishing progressive and sustainable communities wherever it operates. This commitment is reflected in Wilmar's participation in multi-faceted programmes and multi-stakeholder initiatives, including our adherence to the United Nations Global Compact.

## Land Tenure and Development

Land rights and tenure agreements in Indonesia, reflecting the imposition of Western tenure systems on existing customary systems, have had a significant influence on how natural resources are controlled by the state and indigenous communities. Conflict over land in Indonesia has increased as a consequence of the contradiction between these systems. Official regulations and engagement procedures concerning the status of the land are not always clearly defined. Licensing processes are heavily de-centralised and involve multi-stakeholder approvals where requirements may also vary. Issues relating to land approval processes and land security are a concern for the sector and for directly affected communities.

Although land rights and tenure in Indonesia remain ambiguous, Wilmar will work to ensure that all mutual agreements with communities and individuals in Indonesia are clearly defined, documented and legally established, thus demonstrating clear evidence of long-term land use rights for its land.

Wilmar has a policy to not develop oil palm in areas where local communities are not supportive, are divided or where they dispute development. In areas where the Group's presence is welcome, and communities are happy with the benefits it may bring, Wilmar will continue to play an active role in enhancing socio-economic development, especially through employment and plasma small-holder schemes.

As a matter of policy:

- Wilmar will not threaten or diminish, directly or indirectly, the resources or tenure rights of local communities. Wilmar diligently strives to ensure that it is using land to which it has a legal right and in which the country's government recognises the Group as the rightful entity to manage the land in question.
- If there are land disputes, Wilmar seeks to resolve them. Fair compensation will be provided to local communities in the event of loss or damage affecting legal or customary rights, property, resources or livelihoods. Wilmar will endeavour to undertake all measures to help avoid such loss or damage.

The Group seeks to negotiate directly with individual landowners and local community leaders. This entire process is witnessed by local officials, and is documented by the Group. Wilmar pays statutory compensation to the local community leaders for existing crops, together with a full notarisation of agreements documenting ownership of land rights. Aside from monetary compensation, the Group also offers employment that enables the villagers to earn a long-term income.

In cases where the local occupants are unwilling to give up their land, those areas will be delineated as social enclaves for community use.

In Malaysia, where there is identifiable land title and where companies develop with proper ownership, land compensation is not normally applicable. As part of the acquisition process, Wilmar negotiates directly with land owners. And where there is any compensation to be paid, it is done on a voluntary basis.

The Group is also constantly looking at ways to enhance the effectiveness of its Land Claims Resolution system by using an inclusive multi-stakeholder approach, working closely especially with local civil society organisations.

## Education

Wilmar recognises that education holds the key to a better future. To this end, the Group works with the Humana Child Aid Society of Sabah to provide education to children of migrant – primarily Indonesian – workers who are otherwise excluded from Malaysia's education system.

This initiative is operated by the Humana Child Aid Society of Sabah and is financially and logistically supported by Wilmar. The education system is based on the Malaysian curriculum with the integration of Indonesian subjects to help the children of Indonesian migrant workers. This enables a smoother integration into mainstream societies, whether the children stay in Malaysia or return home to Indonesia.

The first Humana-Wilmar school opened in May 2007, and within a short span of a few months three more schools were established. To date, these four schools have benefited more than 400 children. Apart from providing free education, Wilmar also subsidises uniforms, books and food for each child every year.

Further to this programme, Wilmar also builds schools, awards scholarships, and provides education materials and honoraria to teachers.

In China, Wilmar's social investments focus on capacity empowerment through education. Recognising that basic education is still out of the reach of the rural poor, Wilmar seeks to increase educational access and quality for the disadvantaged and the marginalised through the establishment of the Yihai Kerry Trust Fund, and an education programme initiative, Wilmar Education Aid Programme.

In 2007, the Yihai Kerry Trust Fund contributed about US\$1.5 million to support various educational initiatives, including the extensive nationwide education campaign Project Hope. The trust fund has donated US\$5.7 million since its inception in 2004.



*Community empowerment through education*

Beyond monetary resources, Wilmar actively involves itself in enhancing the performance of educational systems in China. To this end, Wilmar, as part of the Wilmar Education Aid Programme, set up management committees in beneficiary schools to help improve financial management, educational curriculum and overall administration. In addition to financial support for under-privileged students, the programme also implemented a rounded education curriculum that encompasses a variety of fields and disciplines, including sports, music and the arts, and information technology.

The aspirations of the Programme have also inspired many Wilmar employees to contribute voluntary services: time, money and resources to the network of schools under this Programme. The Programme endeavours to finance and manage 100 rural schools in the next 10 years to elevate the quality level of both the schools and students.

These projects are in line with the UN's millennium goal of basic education for all children.

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*Local communities are provided with free medical care*

## Small-holder Programme

Wilmar is actively involved in an Indonesian Government project known as the Plasma Scheme, designed to assist small-holders to become independent plantation growers in Indonesia. This scheme was conceived as an integral part of the government's resettlement programme through which Indonesians from more densely populated areas transmigrate to start a new life in the less populated islands.

While the scheme is initiated by the government to give transmigrant families the opportunity to gain title to oil palm plantation land, Wilmar further supports this initiative by training the communities on plantation management practices to steer them away from illegal logging, as well as slash and burn activities.

Wilmar also introduced a similar scheme in Malaysia. In November 2007, the Group handed over more than 1,600 hectares of oil palm plantation – out of the 7,500 hectares of land available for planting in Sugut, within the State of Sabah – to the local government for a small-holder palm project. This initiative between the private sector and the state government to promote entrepreneurship and enhance socio-economic development under the small-holder oil palm

cultivation scheme is the first of its kind in the industry in the State of Sabah, Malaysia. Wilmar has invested about US\$6 million to develop the project and it was valued at more than US\$15 million by the time the land was presented to the small-holders.

## Health Welfare

Wilmar views health and education as instrumental to a society's advancement. In all of its plantations, Wilmar has set up clinics, complete with doctors and nurses; and in some of its plantations, the Group has mobile medical units on stand-by for emergency cases.

Wilmar also makes available a range of free medical care, including the provision of immunisation against chicken-pox, and circumcision services. Furthermore, the Group helps train local women as mid-wives.

A plan is underway to construct hospitals that not only attend to the needs of Wilmar's employees, but serve the local communities as well.

## Cottage Industry Support

Wilmar supports the cottage industry by providing local villagers the opportunity to start small businesses with seed capital and skills training. In some cases, the Group even imparts business management and product marketing know-how. In return, these small and medium enterprises provide peripheral services and support to Wilmar's operations.

## Social Infrastructure

Real development and progress of communities go beyond material fulfilment. Wilmar responds to various local needs by developing solid social infrastructure that provides a more complete and conducive living space for its neighbours.

This includes the building, maintenance and renovation of bridges, roads, and places of worship and facilities for community functions such as community and sports halls.

There are also plans to build additional water treatment plants to provide clean drinking water to the surrounding communities.

### **Employee Well-being**

The driving force behind Wilmar's success is its people. That is why the Group continuously seeks ways to improve its services and support its employees.

Recognising that adequate protein intake is important to a balanced diet, Wilmar seeks to improve the nutrient requirements of its employees by providing them with a cheaper source of protein in the form of beef, through its cattle-breeding programme.



*Cattle-breeding programme*

In flood-prone areas of its operations, where oil palm cultivation is not suitable, Wilmar has converted the land to paddy fields for rice cultivation; with the produce sold to employees at subsidised rates. Such an initiative is also aligned with the local Government's call for less dependence on imported rice.

Buffaloes ease the load of harvesting activities and therefore increase the harvesters' productivity. This in turn increases the harvesters' revenue. As such, Wilmar has embarked on a buffalo-breeding programme which enables harvesters to purchase the buffaloes at subsidised rates. Through this programme, the harvesters have significantly increased their work productivity, and correspondingly, their income as well.

Wilmar's welfare programme was further enhanced with a personal dimension. In China, Wilmar has assisted with the medical fees of employees suffering from serious illness. Similarly, the Group has extended support to family members of some of its employees.

### **MOVING FORWARD**

Wilmar's commitment to responsible business management and sustainability is firm and ongoing, and the Group will continually seek to improve its operational processes, both in terms of enhancing economic value for its shareholders, and its corporate social responsibility on all fronts.

The first of many steps will be the internalisation and implementation of RSPO standards in Wilmar's oil palm plantations. The Group will pursue RSPO Certification for all its plantation operations, and this will take place in stages. Within Wilmar's area of influence, the Group will promote and encourage its business and small-holder partners to adopt the same industry best practices.

With commitment towards a shared goal and concerted efforts from all stakeholders of the palm oil value chain, Wilmar believes sustainability of palm oil is attainable while still meeting the world's growing demand for this product.

To this end, the Group will continue to strive to exemplify the very best practices in environmental sustainability and social responsibility.