

SUSTAINABILITY BRIEF

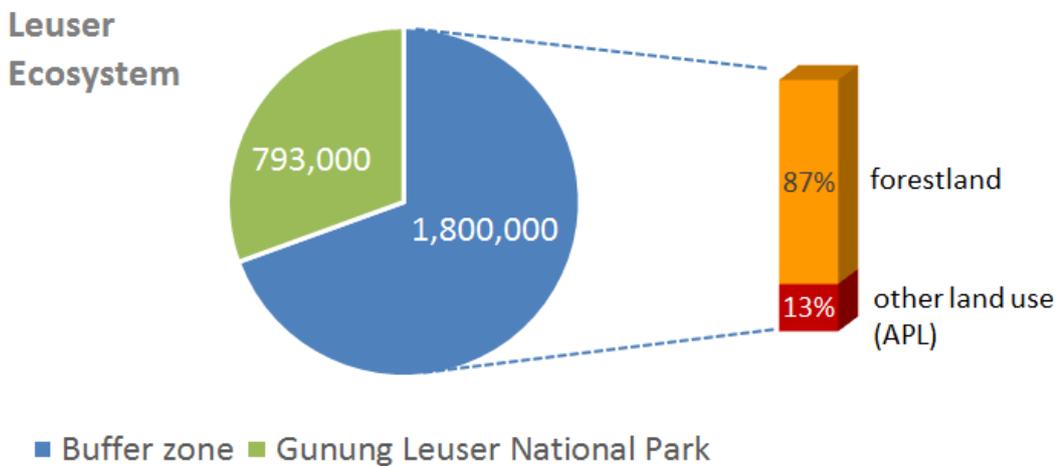
Update from the field November 2015

Progress in Leuser Ecosystem

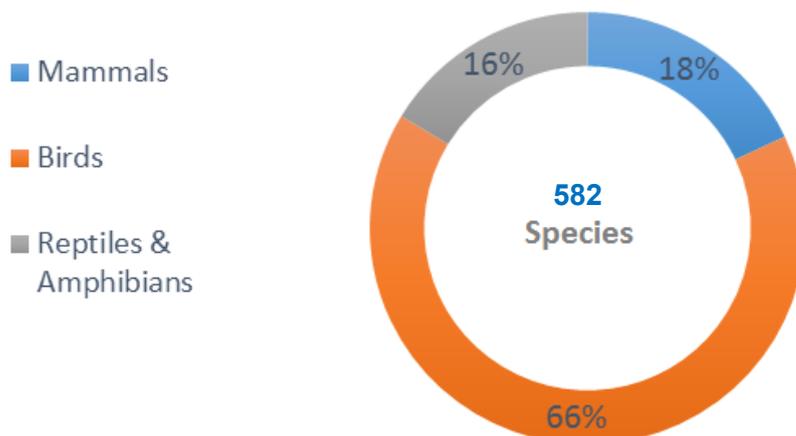
About the Leuser Ecosystem

The Leuser Ecosystem in Sumatra, Indonesia, is a biologically diverse landscape containing lowland and mountainous rainforests, peatlands, numerous species of mammals, birds, reptiles, fish, invertebrates and plants. A number of critically endangered species have been found in the Leuser Ecosystem, resulting in the Leuser Ecosystem being classified as a place of irreplaceable biodiversity by internationally recognized conservation and ecology experts. It provides important ecological services, including water supply, to communities living in and around the ecosystem.

Statistics @ at a Glance



Biodiversity



The Leuser Ecosystem consists of the Gunung Leuser National Park and a significant buffer zone which the Indonesian Minister of Forestry formalized through the issuance of decrees for Aceh in 2001 and North Sumatra in 2002.

Home to many rare fauna species such as tigers, orangutans, rhinos, elephants and the clouded leopard¹, the Government of Indonesia has therefore declared the Leuser Ecosystem to be an area of national importance to be protected and conserved. It has also granted self-governance to the provincial community of Aceh which affords Aceh with the authority to regulate and manage its own affairs and the interests of local communities.

Whilst the majority of the Leuser buffer zone is designated as forestland and therefore cannot be converted for non-forestry uses (i.e. plantation development), it also contains land - representing 13% of the ecosystem - which has been formally allocated for other land use/non-forest purposes (APL - Areal Penggunaan Lain). At least 31 plantation companies operate within the ecosystem. Furthermore, some recent adjustment of Aceh's forestland designation was also made as part of local government's efforts to legalize smallholder-farming that has existed for numerous years within the Leuser National Park boundaries.

The Plantation Landscape in Leuser Ecosystem



Figure Plantations within the Leuser Ecosystem

Plantation company concessions

With reference to the statistics provided by The Forest Trust, of the 31 plantation companies whose concessions overlapped with a total of 125,000 ha in the Leuser Ecosystem, 24 are owned by local companies and seven are associated with national groups. Within this 125,000 ha, there was approximately 31,500 ha of undeveloped peatland and approximately 38,500 ha of undeveloped forest remaining as of August 2015. From January to August 2015, the amount of natural forest conversion for oil palm expansion observed through satellite imagery within the Leuser Ecosystem amounted to less than 4,000 ha; these new development areas do not generally coincide with mapped peatland areas.

¹Badan Pengelola Kawasan Ekosistem Leuser, <http://leuserecosystem.org>

Although the Indonesian government has nominated the Leuser Ecosystem to be an area of national importance to be protected and conserved, many of the plantations are not considered illegal as some NGOs believe them to be. For instance, a number of the established plantations within the Leuser Ecosystem are associated with historical plantation permits that in some cases originated more than 25 years ago.

As in other areas of Indonesia, ambiguity about land tenure rights remains a significant challenge for land resource planning and utilization. Particularly in the context of Aceh where the civil conflicts led many forestry and plantation companies to abandon their operations between 1976 and 2005. When peace was restored, plantation companies returned to re-establish management over the land within their permit areas; however, the authorities faced difficulties in affirming their ownership over as much of the lands of which much had either remained idle or experienced encroachment by local communities.

Against this background, the observed cases of deforestation in 2015 were generally associated with areas for which rights were generally issued many years ago. However, 11 cases of encroachment³ into areas designated as protected forestland reserves were identified during this period.

Smallholders

There are also significant areas of oil palm smallholdings both within the Leuser Ecosystem and the Leuser National Park that have been in existence for many years. Recent adjustments to the forestland designation maps for Aceh have resulted in areas within the Leuser Ecosystem having their land use status changed from areas of “Forest” to “Land For Other Uses (APL)”. This included some areas of established smallholder plantations within the Leuser National Park.

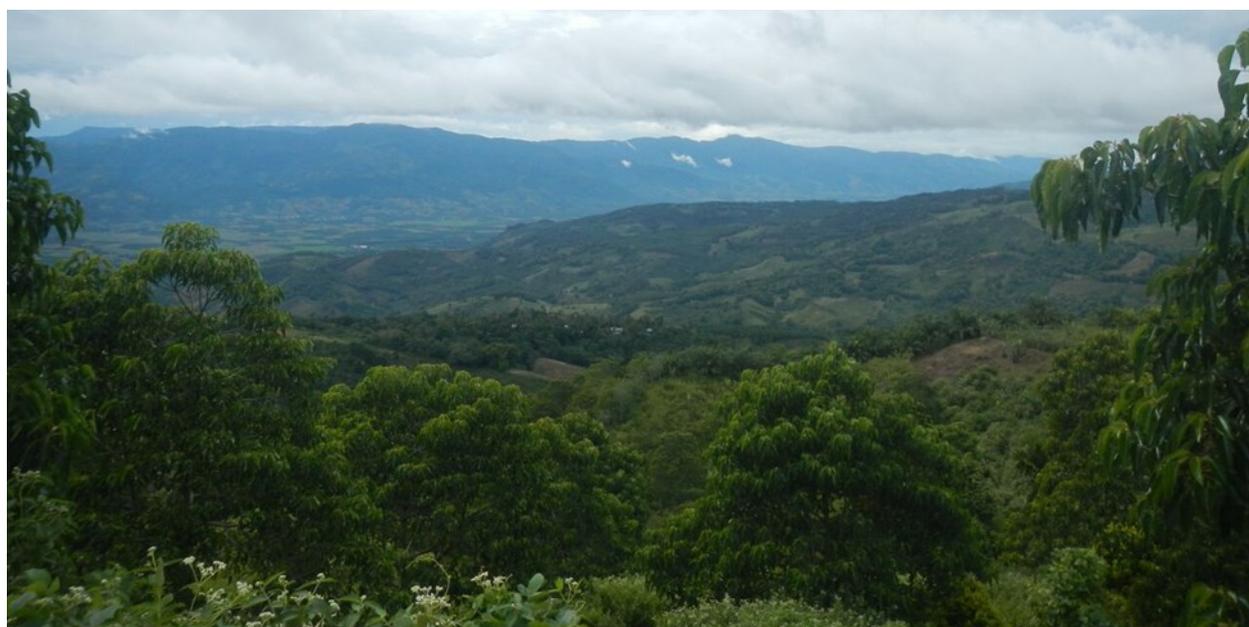


Figure 2 The mixed landscape of the Leuser Ecosystem

³Statistics provided by The Forest Trust.

Wilmar's supply chain and policy implementation

In accordance with our No Deforestation, No Peat and No Exploitation ("Policy") commitment to establish a sourcing network which does not contribute to deforestation or the conversion of peatlands, Wilmar has been working with our suppliers, civil society organisations, industry peers and community representatives to identify the best steps toward a sustainable future for the ecosystem and the local communities.

These commitments extend to the Wilmar's Kuala Tanjung and Paya Pasir facilities which source from 52 suppliers who operate in and around (within a 50km radius) of the Leuser Ecosystem.

Wilmar has been working with our partner The Forest Trust (TFT) and another civil society organization to increase transparency in our supply chain through tracing the origin of our products back to mills. As a further step, we have published the list of our suppliers (mills) from which we source palm oil on our [Sustainability Dashboard](#). In the early phase of our policy implementation during 2014, Wilmar organised a series of workshops with our suppliers throughout Indonesia and Malaysia to explain our policy and what implementation of the policy meant for our suppliers. In addition, we scheduled high level business-to-business dialogues with our high volume suppliers.

In acknowledgement of the important conservation value of the Leuser Ecosystem, we have also engaged directly with all our 52 suppliers who operate mills within a 50km radius of the Leuser Ecosystem in order to ensure that we have clearly communicated our Policy requirements to all suppliers who may be at risk of sourcing from illegal or protected areas within the Leuser Ecosystem.

To ensure that our Policy commitments translate to real change on the ground, Wilmar has been working with TFT to assess the compliance of third-party suppliers to Wilmar palm oil refineries through site visits. We have undertaken a desktop prioritisation process to select suppliers for these field assessments. The prioritisation took into consideration publicly reported information such as reports prepared by Rainforest Action Network and Greenomics on the Leuser Ecosystem.

These supplier compliance site assessments involved staff from Wilmar and TFT visiting oil palm plantations, workers' quarters, stores, workshop, and forest/ river boundaries to develop a better understanding of the situation at the operations of Wilmar's suppliers, including any conflict they faced with other local stakeholders. The field teams also interviewed the owners, managers and workers to understand their daily operations in the production and milling of fresh fruit bunches (FFB). In North Sumatra and Aceh, we have already completed field assessments of 15 suppliers, including five suppliers that were selected, in part, due to their proximity to the Leuser Ecosystem.

Wilmar's supply chain assessment process includes criteria for review (and possibly a discontinuation) of business relationships in cases of ongoing policy non-compliance. Although this process is new, it has also already been trialled with suppliers in the Leuser Ecosystem through a specific case of a policy breach which continues to be monitored. We have suspended one supplier in this region due to continual non-compliance.

Wilmar conducted a stakeholder consultation meeting together with our NGO partners in Medan during September 2015 to better understand the concerns of local NGOs, community representatives and stakeholders. In total, 49 local NGOs attended the meeting including representatives from local organisations working on conservation efforts in the Leuser Gunung National Park and the Leuser Ecosystem.



Figure 3 Stakeholder Consultation Meeting

Next Steps

Following the completion of field assessments of our suppliers who supply our refineries and are located in proximity to the Leuser catchment area, we will assist our suppliers to implement improvements in their operations to increase compliance with our Policy requirements.

Beyond Wilmar's supply chain, the Group is working with the Indonesian Palm Oil Pledge (IPOP) and other stakeholders on adopting a holistic landscape approach to tackling the deforestation challenge and supporting sustainable development in the Leuser Ecosystem. We look forward to further engagement with all stakeholders who have an interest in the Leuser Ecosystem to further this goal.

Smallholders

We recognise that smallholder supply is critical to the industry and the industry is critical to the livelihoods of millions of people across palm oil growing regions. Our policy therefore strongly supports the inclusion of smallholders in our supply chain with initiatives that aim to benefit both smallholders and the environment in the long term.

In South Sumatra, we are working to help 3,000 independent smallholders achieve RSPO certification. We also have a plan to roll out similar projects throughout Indonesia. RSPO certification provides many benefits, such as improved yield from the use of good agronomic practices, as well as improved market access and income for the smallholders. RSPO principles also restrict the use of fire in palm oil plantations, mitigating the occurrence of fire and haze.

Wilmar will continue to undertake industry-leading efforts to steer the industry towards responsible practices. Together with TFT, we are engaging with our 3rd party suppliers and their fresh fruit bunch (FFB) smallholder suppliers to understand and discuss solutions for the gaps and challenges. We are also working with multi-stakeholders, including the government, private sector and civil society, to help independent smallholders clarify their land tenure and obtain legal land title deeds to ensure legal recognition of their land rights.