

# SUSTAINABILITY BRIEF

Update from the field

June 2015

## Sandakan: The Journey So Far

### Where we started

Wilmar's integrated 'No deforestation, No Peat, No Exploitation' policy ("Policy") released in December 2013, set high standards for Wilmar and its global supply chain. Implementing the Policy across growers, millers and refineries in different countries and continents demanded an ambitious but practical strategy. In order to achieve meaningful transformation on the ground, implementation has focussed on Wilmar's refineries at origin as a point of influence upon their supply base of mills and associated Fresh Fruit Bunches (FFB) suppliers. The refineries hold commercial relationships with the palm oil mills and have the ability to provide opportunities for mills, their parent companies and their FFB suppliers to improve practices.

As a key supplier to many markets, Wilmar's Sandakan Edible Oils (SEO) refinery in Sabah, East Malaysia, was the first refinery chosen as a focus for sustained engagement on the ground. The approach taken here has now become better known as an Aggregator-Refinery Transformation (ART) plan; ART plans are now being implemented in other facilities by Wilmar and other companies.

### Prioritisation

The SEO refinery is supplied by 52 palm oil mills. Visiting every mill and plantation in the refinery's supply base is not going to be a practical possibility, so in order to deliver support most effectively, it was important to prioritise where time and resources would be most effectively focussed. A Mill Prioritisation Process was conducted combining spatial and non-spatial information pertaining to environmental and social components, in order to identify mills for deep and broad engagement. Deep engagement involves directly engaging the mills via field visits, which allows for a review of the company's and their suppliers' policies, procedures and practices. Broad engagement uses the findings from the deep engagement visits to target specific training and support activities with all supplying mills.

A sample of eight mills was selected for site visits (deep engagement). Engagement began at the mill parent company level, with introductory meetings to explain the objectives, address any concerns, and to gain the support and facilitation of the company to a site visit.

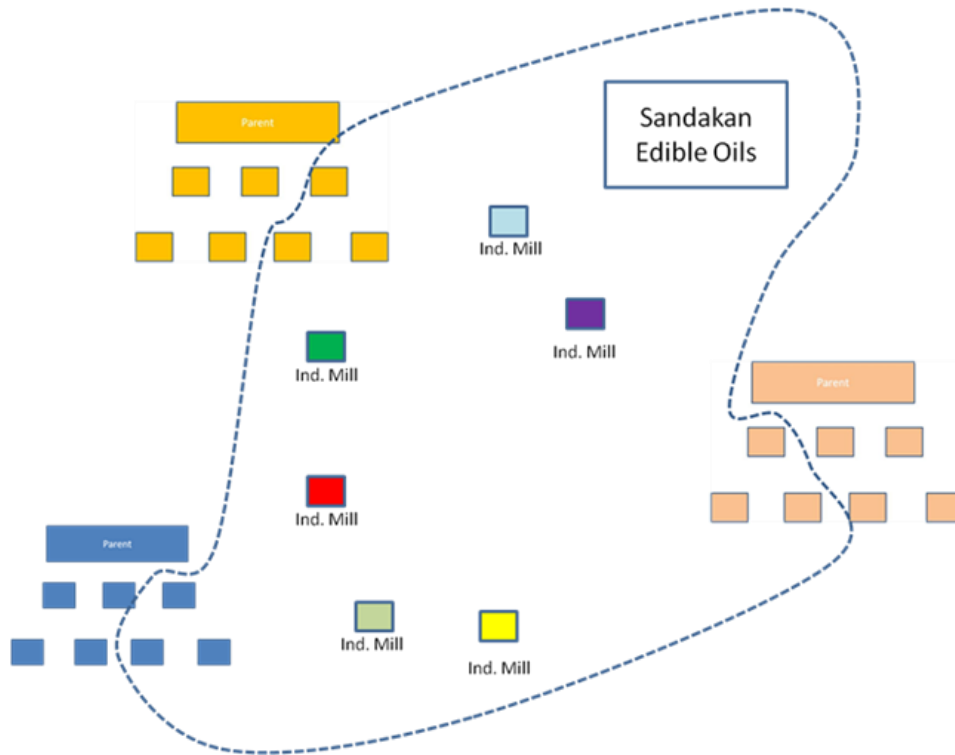


Figure 1 : Model of the SEO refinery supply base

## Getting out on the ground

A team of TFT and Wilmar representatives began the process of engagement with the selected mills and their FFB supply bases. This took the form of a 3-4 day field visit to each mill and a sample of its supply base, exploring and advising on gaps between current practices and Policy requirements. Building trusting relationships with the mills has been crucial to encouraging the level of transparency necessary for productive engagement in the field. An approach of collective-discovery and solution-finding has encouraged mill managers to have a strong role in the visits at their sites, on which of course they are most knowledgeable.



A range of social and environmental issues were found during these visits. It was not expected that the many mills, estates, small-growers and smallholders would have practices entirely aligned with Wilmar's Policy at the point of first engagement. However, Wilmar and TFT will now work with the suppliers to help them close gaps found between the Policy and operations as they currently stand.

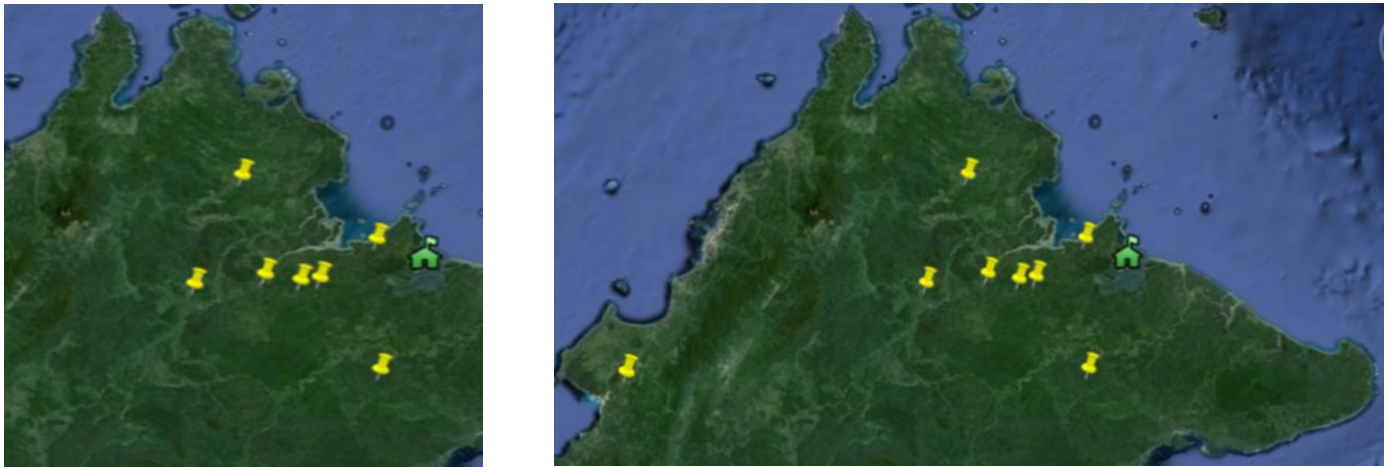


Figure 2 : Maps to show the locations of 8 assessed mills supplying SEO refinery in Sabah

About 15% of the mills in the supply base, accounting for approximately 20% of the volume input into the refinery, have now been assessed on the ground. Individual action plan reports with recommendations have been produced for each assessed entity (mill, estates, small growers, small holders) as well as an anonymized, overarching report of the combined findings across all the visited mills and supply bases in the SEO supply base.

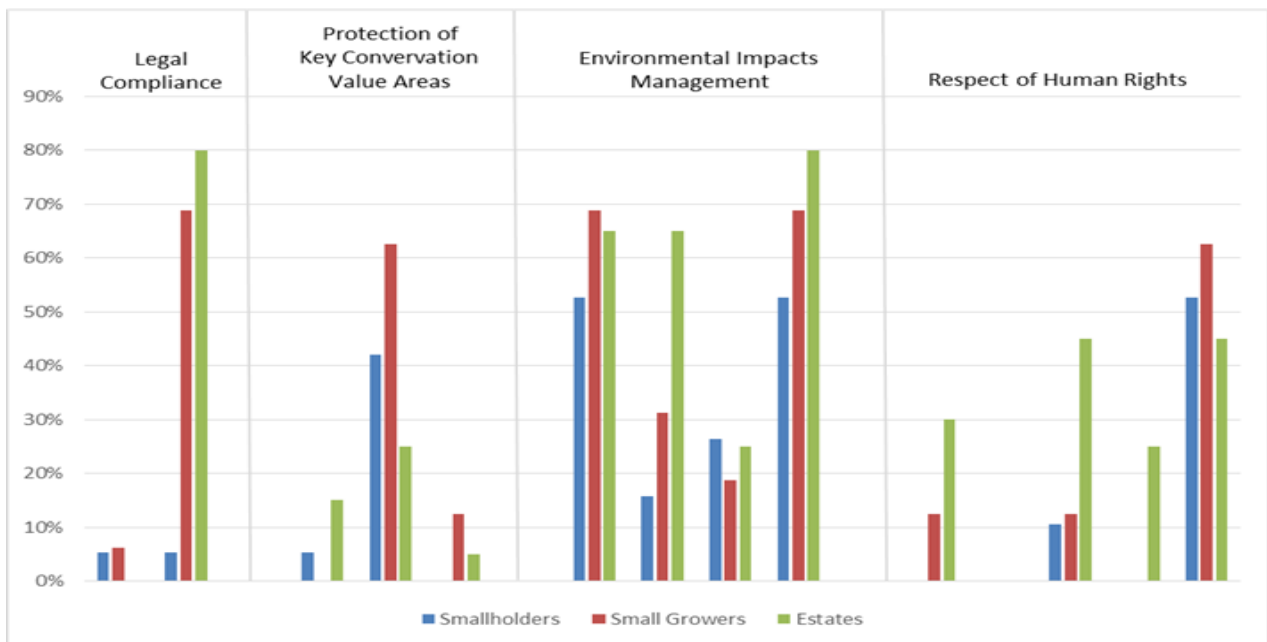


Figure 3 : Summary table of FFB supplier findings from the overarching report

## **Where we stand now – Re-engaging for Transformation**

Wilmar and TFT are now embarking on the transformation phase of engagement, focussing on the common findings gathered through the visits. Re-engagement is taking place at two levels. Deep engagement has been the initial focus, with Wilmar and TFT revisiting each of the eight visited mills to share the individual reports prepared for the mill and each of their FFB suppliers. These meetings have been constructive idea-sharing sessions in regards to the implementation of the recommended action plans and extending support to the mills' growers. Wilmar has also held a workshop with third-party FFB suppliers to its own mill to discuss the findings and recommendations.

Recent activities have also seen Wilmar and TFT embark on broad engagement. It is anticipated that many difficulties experienced at the visited mills and growers will be common across the region, and so it was intended to share the field visit findings with all suppliers to Wilmar's refineries in Sabah.

Three days of group meetings have been held across Sabah to share the findings and to receive feedback from and discuss solutions with the mills supplying Wilmar refineries in Sabah. These meetings have been constructive idea-sharing sessions in regards to the implementation of the recommendations and an opportunity to extend support to the mills' growers.

Progress on the engagement will continue to be shared as the transformation journey continues.