WILMAR SMALLHOLDERS SUPPORT HONDURAS PROGRAMME (WISSH)

Second Progress Report May – July 2016

Honduras is the third largest palm oil producer in Latin America and an important palm oil supplier to Europe. Smallholders play an important role in the total palm oil production of Honduras, owning more than 40% of total area planted.

The WISSH Programme (Wilmar Smallholders Support in Honduras) was therefore created at the beginning of 2016, with the aim to enhance smallholders' knowledge and technical capacity on best agricultural and environmental management practices. WISSH builds upon the criteria in Wilmar's "No Deforestation, No Peat and No Exploitation" (NDPE) policy[1].

This is our second progress report, highlighting the activities from May-July 2016.

1. Training of Smallholders -TOSH

Following the WISSH training session for mills and supervisors in Honduras in the first quarter of this year, we conducted our first series of WISSH training sessions for our associated smallholders from 23 May to 8 June 2016. These are the smallholders connected to one or several of the eight mills members of the *Asociación Industrial de Productores de Aceite de Palma en Honduras* (AIPAH). The main topic of this training session was Wilmar's NDPE policy. A total of 1,980 smallholders were trained in 67 training sessions, during 6 weeks. This is 86% of our first year target of 2,300 smallholders. The supervisors found several solutions to further improve attendance for future training sessions.

Table 1: Participants and Trainers of TOSH 1

WISSH TOSH			
Mill	Number of Smallholders trained		
	NES Naturaleza	Supervisors	Total
Aceydesa	76	87	163
Coapalma	96	180	276
Coinsu	45	305	350
Honducaribe	95	5	100
Hondupalma	117	449	566
Palcasa	72	56	128
Palmasa	82	135	217
Salamá	105	75	180
Total	688	1292	1980

[1] http://www.wilmar-international.com/sustainability/wp-content/uploads/2012/11/No-Deforestation-No-Peat-No-Exploitation-Policy.pdf

Of the 1,980 smallholders, 688 were directly trained by NES NATURALEZA, the implementer of the WISSH programme, together with 43 supervisors. These supervisors are representatives of the eight AIPAH mills, who in turn gave training to a total 1,292 smallholders (see table 1).

Similar to the workshops in Q1, the training was a combination of discussing the pillars of the Wilmar's NDPE policy, and presentations by the smallholders themselves on the implementation of the sustainability criteria, as well as the anticipated challenges. At the end of the training, the smallholders each received a training booklet which contains a visual summary of the content covered during the day.

The training was well received by the smallholders who showed their enthusiasm about the newly acquired knowledge and expressed interest to join the next WISSH training session.

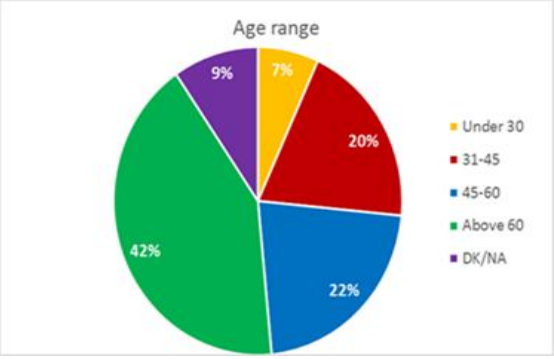
2. Surveys

One of the first steps in the WISSH programme is to determine a baseline for the smallholders who deliver their fresh fruit bunches (FFB) to the AIPAH mills. This baseline data will consist of socio-demographics, income, experience, production and previously received training sessions. To collect this information, a survey with 14 questions was conducted on 396 smallholders during the training sessions between the 23 and 27 May.

The survey responses showed some interesting finds:

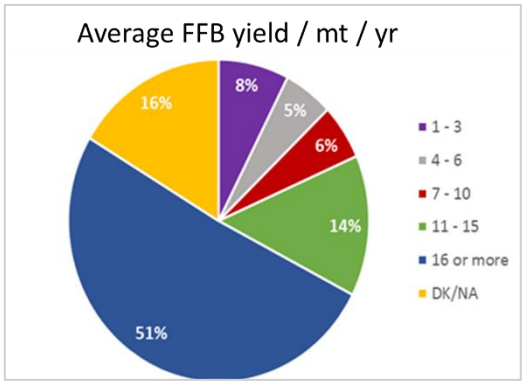
a) Around 49% of the respondents had only primary education, while 12% went to the university or to technical schools.

b) A large proportion (42%) of the respondents was over 60 years. This means that many of these smallholders are highly dependent on the support of either the younger members of their family, or hired labour to do the field work.



c) About 33% (about 139 persons) of these smallholders did not receive any formal training on good agricultural or environmental practices in 2015; another 33% received between one and three internal trainings, 27% received four or more trainings (mainly belonging to cooperatives); the remaining did not provide any input.

d) In terms of their annual productivity, 51% of smallholders have an average yield of over 16 metric ton (mt) of fresh fruit bunches per hectare (ha), 14% at between 11-15 mt,20% at 7 and 15 mt, and the balance below 7 mt. The smallholders with better yield are often those belonging to cooperatives.



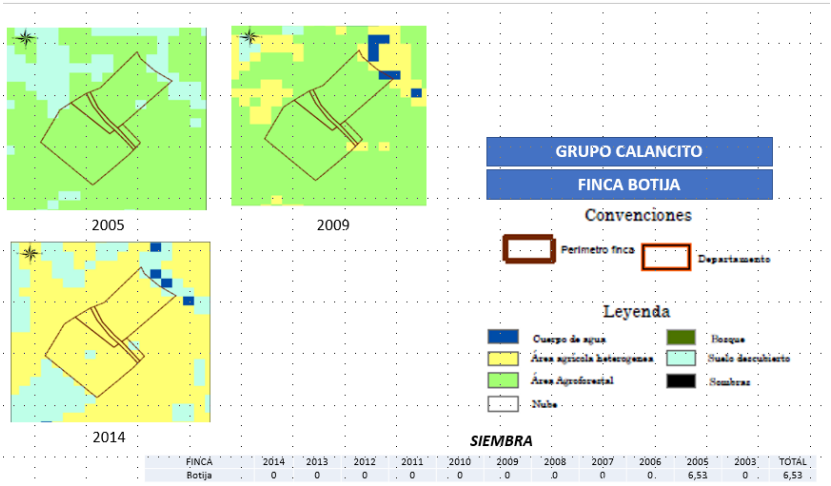
3. Protocol in case of non-compliance with Wilmar Policy

Follow-ups are important to ensure that smallholders are actually complying with the NDPE criteria, post training sessions. We have created a process protocol for the mills to address the issues accordingly in the event that a breach on Wilmar's NDPE policy is detected. This protocol was introduced in the last week of May and was expected to be implemented by each of the eight AIPAH mills.

4. Mapping

The mapping of the plantations is a work in progress. We began collecting the GPS coordinates of the associated smallholders in May, and have mapped out the supply base of six out of the eight supplying mills thus far.

Satellite images for each of these six mills from 2005, 2009 and 2014 showing the land cover change over time were also collected.

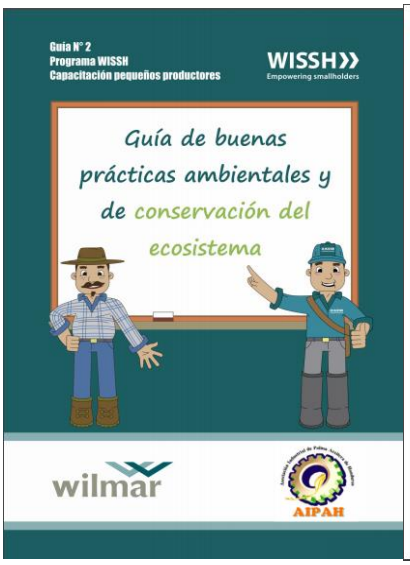


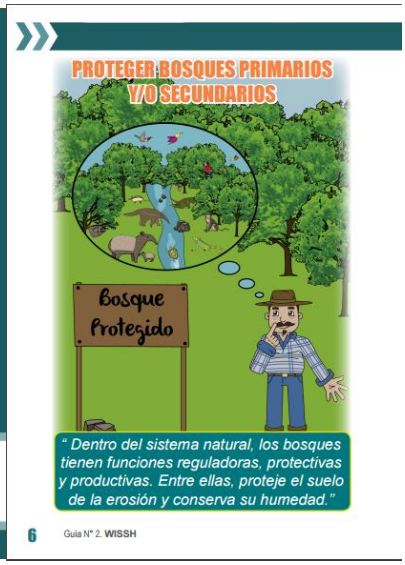
FINCA	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2003	TOTAL
Botija	0	0	0	0	0	0	0	0	0	6,53	0	6,53

There are several ways in how the mills and their supply base can be organized. For example, some plantations belong to several smallholders, and as such the number of farm/plantation coordinates collected is lower than the total number of smallholders. In total, 501 plantation coordinates were gathered.

5. Second Guide pocketbook.

We have developed a 2nd edition of our pocket guidebook with more information and knowledge sharing to support our suppliers on the implementation of good environmental practices and conservation of ecosystems to cultivate sustainable oil palm crops. The pocketbook educates through pictorial and graphical illustrations on topics such as best agricultural management practices; protection of ecosystems biodiversity and water; as well as soil and waste management.





6. Next steps

In the next progress report we will be highlighting the second smallholder training, as well as the Monitoring and Control system we are building. This system is a tool for the mills to be able to monitor some activities on the farms.