

# SUSTAINABILITY BRIEF

September 2018

## Wilmar's Supplier Monitoring Programme

Since the launch of our NDPE policy in 2013, Wilmar has been exploring different strategies in order to most effectively monitor and verify its palm supply chain, consisting of approximately 1000 mills globally. In doing so, we have been consulted by different partner organization such as The Forest Trust (TFT)<sup>1</sup>, Aidenvironment<sup>2</sup> and CORE (Daemeter<sup>4</sup> and Proforest<sup>5</sup>). Since 2017 we have also partnered with Verite<sup>3</sup> to assess and develop comprehensive Human and Labour Rights systems for our internal as well as our suppliers' operations.

The below described strategy is the result of this consulting process and the experience we gathered during the implementation over the past five years. Wilmar convenes quarterly "partner's meetings" with all partner organisations, to ensure that we share latest updates on our policy implementation progress, where they also provide constructive and critical recommendations.

## NDPE compliance

**(1) Internal Operation Verification Programmes:** For Wilmar's own mills, our internal compliance team conducts an annual internal audit to assess compliance of our operations against a multitude of sustainability-related requirements. This is a **checklist that assesses certification compliance which also includes NDPE elements**. For our mills that are already RSPO, ISPO, or MSPO certified, the internal compliance assessments are done in preparation for the external audits.

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<sup>1</sup> <http://www.tft-earth.org/>

<sup>2</sup> <http://www.aidenvironment.org/expertise/aidenvironment-asia/>

<sup>3</sup> <https://www.verite.org/>

<sup>4</sup> <http://daemeter.org/en/>

<sup>5</sup> <https://www.proforest.net/en>

<sup>6</sup> Or at least meeting ISEAL's recommendation for sampling for Group Certification, i.e.  $\sqrt{y}$ , where y is the total number of supplying mills

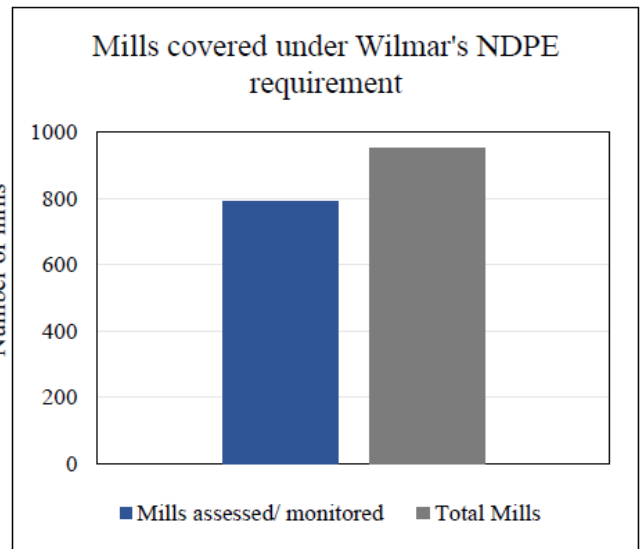
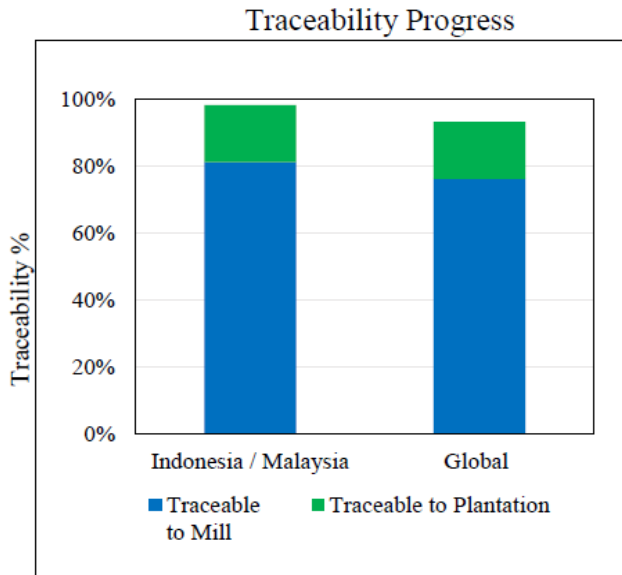
Wilmar's Own Operations		
80% of our planted area across Malaysia, Indonesia and Ghana including 28 mills, are RSPO certified	880,000 tonnes of certified sustainable crude palm oil and 190,000 tonnes of certified sustainable palm kernel	100% of 44 Wilmar-own mills are assessed against our NDPE policy

2) **ART Programme:** For third-party suppliers, we pursue compliance at specific refinery level, for physical volumes of oil purchased through mills that have met specific NDPE requirements. This includes **an origination refinery risk screening of supplying mills, and verification assessment of approximately 10%<sup>6</sup> of total supplying mills selected from highest to medium risk mills.** We launched the ART Programme in 2014, and we have enlisted CORE to enhance and strengthen the programme since 2017.

(3) **Supplier Reporting Tool (SRT):** As part of our progress towards covering 100% of our supply base, in particular for suppliers assessed to be of lower risk, we have recently launched **the SRT. The SRT is an online self-reporting system that enables suppliers to report their current compliance to Wilmar's NDPE policy.** Based on the data received, Wilmar together with our policy implementation partners analyse the results and select a number of mills for follow up verification.

The SRT was launched in Malaysia, Honduras and Guatemala in April 2018, where 45% of suppliers have to-date completed reporting. We expect to complete data analysis for Malaysia, Honduras and Guatemala by mid-October 2018.

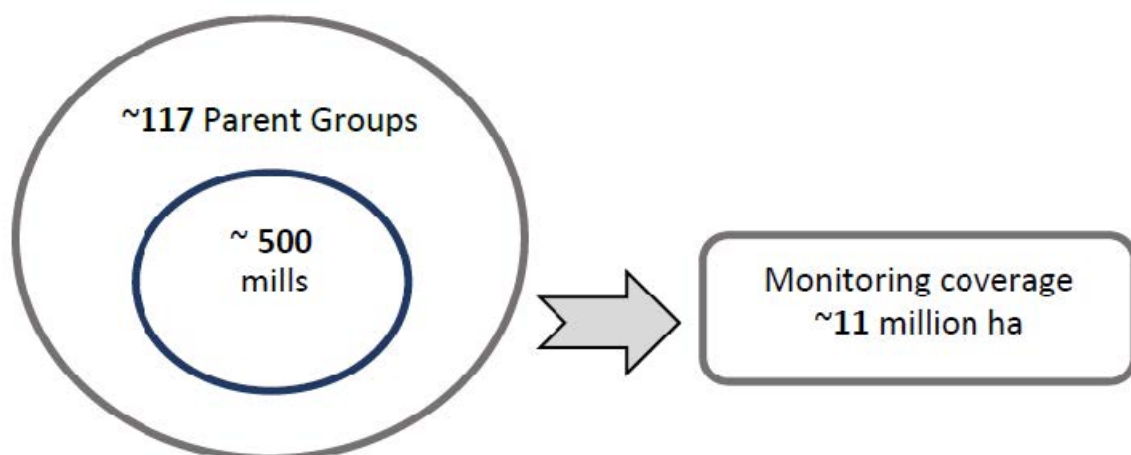
In early September 2018, we carried out three supplier engagement sessions for our Indonesian suppliers in Jakarta, Medan and Palembang to introduce the SRT. The verification programme under the SRT is expected to be rolled out across the supplying regions of Colombia in Q3 2018, and Malaysia and Indonesia in Q1 2019.



**(4) Supplier Group Compliance (SGC) Verification Programme:** We also conduct pro- active monitoring under Aidenvironment partnership that monitors geo-spatial information via regular satellite updates of areas at risk which include:

- (i) suppliers – both supplying directly to Wilmar, and from associated operations where we do not buy from
- (ii) suspended suppliers' operations (i.e. no longer in our supply chain)
- (iii) non-supplier companies deemed at risk

Today, the SGC verification programme monitors more than 11 million hectares, which covers 117 parent groups representing approximately 1,500 individual plantations and close to 500 mills, spanned across Malaysia, Indonesia and Papua New Guinea.



*Wilmar's supplier monitoring coverage*

Based on the monthly updates of this monitoring that we receive from Aidenvironment, we initiate direct engagement with the supplier group(s) in question where we identify and confirm the non-compliances, work with the supplier to put in place action plans to resolve any non-compliance identified. Currently this process has resulted in more than 50 group level engagements and intervention.

We have access to maps and geo-spatial information of our suppliers, obtained via the Aidenvironment monitoring platform and Wilmar's own internal supplier due diligence process.

The dataset is uploaded on an online platform, Webgis, which is managed by Aidenvironment. The platform is secured with login requirements and is made available to Wilmar for internal use. We are utilising the dataset to conduct monitoring of the previously described scope.

Publication of the screening maps is not possible as the dataset is owned by Aidenvironment and in addition, the base data requires continuous verification and updating. Moreover, due to legal constraints, Wilmar has no authority to share maps of third parties without their consent. Nevertheless, we are actively encouraging our suppliers to voluntarily publish their maps in the public domain, either through the WRI – Global Forest Watch platform, or through their own websites.

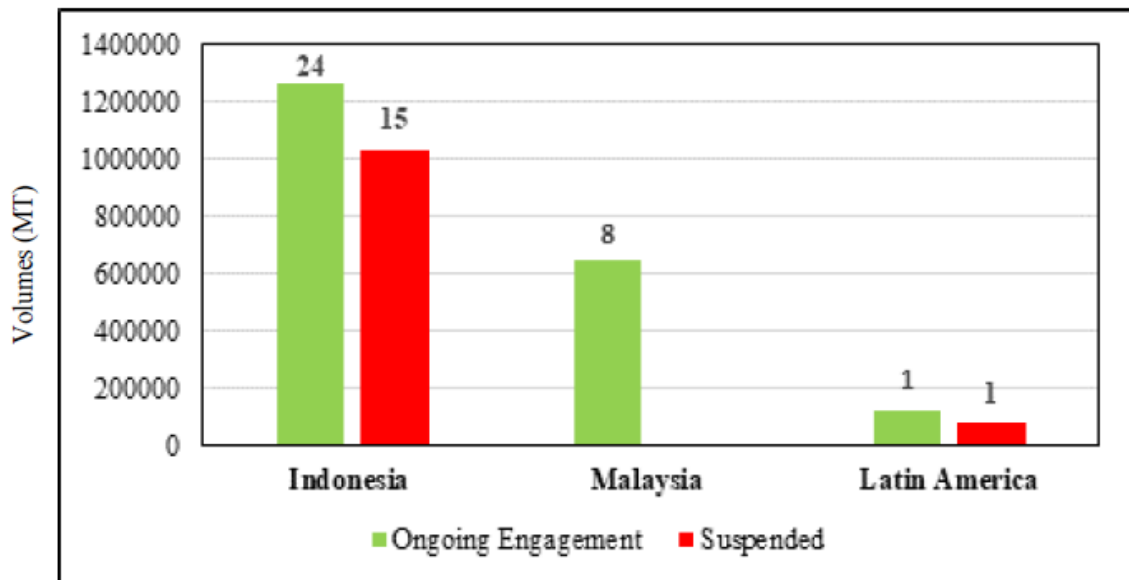
## **Grievance management**

There are occasions where grievances are raised and these overlap with ongoing engagements as described previously, in which case, they are made public via our [grievance procedure](#).

When grievance is detected, we strive to establish the dialogue, offer training and guidance, conduct assessments and monitor progress, in order to change our suppliers' behaviour towards more sustainable practices. However, in instances, where suppliers repeat non-compliant behaviour or appear unwilling to comply

with our NDPE policy, we will suspend trade with the supplier whilst complaint proceedings are ongoing.

We have thus far suspended 16<sup>7</sup> suppliers at a group level, as they failed to convincingly improve their policies and/or actions, supply chain exclusion at a group level has been imposed. This has resulted in more than 1 million MT loss of supply to our operations. Of this 1 million MT volume, only around 10% comes from our direct supplying mills, the remaining 90% volume was lost due to our suppliers' group activities outside our supply chain.



*Suspended supplier groups and associated volumes*

<sup>7</sup>Status of Grievance list - the suspended suppliers' group includes 3 groups that were suspended prior to the launch of Wilmar's Grievance Procedure in 2015.